



BHARAT GEARS LIMITED

**ANNUAL REPORT
2006-2007**



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REGISTERED OFFICE

20 K.M. Mathura Road,
P.O. Amar Nagar,
Faridabad-121003

CORPORATE OFFICE

14th Floor, Hoechst House,
Nariman Point,
Mumbai-400 021

WORKS

Kusa Shil, Mumbra,
Distt. Thane-400 612,
Maharashtra

20 K.M. Mathura Road,
P.O. Amar Nagar,
Faridabad-121003

BRANCHES

512, Surya Kiran Building,
19, Kasturba Gandhi Marg,
New Delhi-110 001

123/650-A, GNA Market,
Pratap Ganj,
(Gardenia Purva),
Kanpur-208 012

14th Floor, Hoechst House,
Nariman Point,
Mumbai-400 021

19 L.G.F. Palika Bazar
G.T. Road,
Ghaziabad (U.P.)

Board of Directors

Mr. Surinder P. Kanwar,
Chairman & Managing Director

Mr. Sameer Kanwar,
Executive Director - Strategic Planning

Mr. W. R. Schilha

Mr. Andreas Hartmann (Till 16th May, 2007)

Dr. Ram S. Tarneja

Mr. N. J. Kamath

Mr. S.G. Awasthi (w.e.f. 25th January, 2007)

Mr. V. K. Pargal

Mr. Rakesh Chopra (w.e.f. 25th January, 2007)

Mr. J.S. Bhandari (Till 25th January, 2007)

Mr. G.N. Agarwal (w.e.f. 25th January, 2007)

Bankers/Financial Institution

Industrial Development Bank of India Ltd.

Export Import Bank of India

State Bank of India

Bank of Baroda

Indian Overseas Bank

The Federal Bank Limited

Auditors

A.F. Ferguson & Co.

Audit Committee

Mr. V.K. Pargal *Chairman*

Dr. Ram S. Tarneja

Mr. N. J. Kamath

Shareholders' /Investors'

Grievance Committee

Mr. N. J. Kamath *Chairman*

Mr. Surinder P. Kanwar

Mr. Sameer Kanwar

Remuneration Committee

Mr. N. J. Kamath *Chairman*

Dr. Ram S. Tarneja

Mr. V. K. Pargal

Management Executives

Mr. N.V. Srinivasan

Corporate Business Head

Mr. Milind Pujari

Financial Controller

Compliance Officer

Mr. Ashish Pandey

Group Head (Legal) & Company Secretary

Registrar & Transfer Agent

M/s Intime Spectrum Registry Ltd.

A-31, 3rd Floor,

Naraina Industrial Area,

Phase-I, Near PVR Naraina,

New Delhi - 110 028.



NOTICE

TO THE MEMBERS OF BHARAT GEARS LIMITED

NOTICE is hereby given that the 35th Annual General Meeting of the Members of Bharat Gears Limited will be held as under:

Day : Thursday
Date : 26th July, 2007
Time : 11:30 A.M.
Venue : Municipal Auditorium,
N.I.T. Faridabad -121 001.
(Haryana)

to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited accounts of the Company for the year ended March 31, 2007 together with Reports of the Auditors and Directors thereon.
2. To appoint a Director in place of Mr. V.K. Pargal who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Mr. N.J. Kamath who retires by rotation and is eligible for re-appointment.
4. To appoint Auditors for the year 2007-2008 to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

5. To consider the appointment of Mr. S.G. Awasthi as Director of the Company and pass the following resolution(s) as **Ordinary Resolution**, with or without, modification(s).

“**RESOLVED THAT** Mr. S.G. Awasthi who was appointed as Additional Director of the Company by the Board of Directors and who ceases to hold office under Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice under Section 257 in writing proposing his candidature for the office of director, be and is hereby appointed as Director of the Company liable to retire by rotation.”

6. To consider the appointment of Mr. Rakesh Chopra as Director of the Company and pass the following resolution(s) as **Ordinary Resolution**, with or without, modification(s).

“**RESOLVED THAT** Mr. Rakesh Chopra who was appointed as Additional Director of the Company by the Board of Directors and who ceases to hold office under Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice under Section 257 in writing proposing his candidature for the office of director, be and is hereby appointed as Director of the Company liable to retire by rotation.”

7. To consider the re-appointment of Mr. Sameer Kanwar as Executive Director -Strategic Planning of the Company and pass the following resolution(s) as **Special Resolution(s)**, with or without, modification(s).

“**RESOLVED THAT** pursuant to the provisions of Sections 198, 268, 269, 309, 310, 311, 316, 317, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 including any statutory amendments, modifications, or re-enactments thereof, and subject to the approval of the Central Government, if required, in this regard, the consent of the Shareholders be and is hereby accorded to the re-appointment of Mr. Sameer Kanwar, Executive Director of the Company for period of three years w. e. f. 1st February, 2007 on the terms and conditions including remuneration as recommended by the Remuneration Committee and approved by Board of Directors of the Company and as set out in the explanatory statement which forms part of this resolution.

RESOLVED FURTHER THAT the remuneration as set out in the explanatory statement which forms a part of this resolution, payable to Mr. Sameer Kanwar, Executive Director, is subject to the condition that in case of adequate profits the total remuneration payable in any financial year by way of salary, perquisites and other allowances shall not exceed the overall limit of five percent (5%) of the net profits of the company as applicable to each of the Managing/Whole-time Directors of the Company and/or ten percent (10%) of the net profits of the Company for all the Managing/Whole-time Directors in accordance with the provisions of Sections 198, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII including any statutory amendments, modifications, or re-enactments thereof, as may be made thereto and for the time being in force or to the remuneration specifically approved by the Central Government.

RESOLVED FURTHER THAT where in any financial year during the currency of the tenure of the Executive Director, the Company has no profits or its profits are inadequate, the Executive Director shall be entitled to remuneration by way of salary, perquisites and other allowances not exceeding the limits specified under Section II Part II of Schedule XIII of the Companies Act, 1956 as amended and for the time being in force including such amendments, modifications, revisions, or re-enactments, as may be made thereto by the Central Government in the said limits from time to time or to the remuneration specifically approved by the Central Government.

RESOLVED FURTHER THAT Board of the Directors of the Company, be and is hereby authorized to do all such acts, deeds and things, as the Board may, in its absolute discretion, consider necessary, expedient or desirable including power to sub-delegate in order to give effect to this resolution or as otherwise considered by the

BHARAT GEARS LIMITED

Board to be in the best interest of the Company, as it may deem fit.”

8. To consider appointment of Mr. W.R. Schilha as Director of the Company and pass the following resolution(s) as **Ordinary Resolution**, with or without, modification(s).

“**RESOLVED THAT** Mr. W.R. Schilha who was appointed as Additional Director of the Company by the Board of Directors and who ceases to hold office under Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice under Section 257 in writing proposing his candidature for the office of director, be and is hereby appointed as Director of the Company liable to retire by rotation.”

By Order of the Board



**Ashish Pandey
Group Head (Legal)
& Company Secretary**

Place: Faridabad
Dated: June 25, 2007

NOTES:

- i. **A member entitled to attend and vote is entitled to appoint for one or more proxies to attend and vote on a poll, instead of himself/herself and the proxy need not be a member of the Company. The proxies in order to be valid and effective must be delivered duly completed in the enclosed format at the Registered Office of the Company not later than forty-eight hours before the scheduled time of commencement of the meeting.**
- ii. **NO GIFTS OR COUPONS SHALL BE DISTRIBUTED AT THE ANNUAL GENERAL MEETING.**
- iii. Members/Proxies are requested to deposit the enclosed Attendance Slip duly filled in and signed at the entrance of the meeting for attending the meeting. No Attendance Slip shall be issued at the meeting.
- iv. The Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 is, as applicable, forming the part of the Notice. The explanatory statement regarding re-appointment of Mr. Sameer Kanwar as per Schedule XIII of the Companies Act, 1956 is attached separately.
- v. The Register of Members and the Share Transfer Books of the Company shall remain closed from 19th July, 2007 to 26th July, 2007 (both days inclusive).
- vi. The documents referred to in the accompanying Notice and Explanatory Statement and the Annual Report are open for inspection at the Registered Office of the Company during the office hours between 11.00 A.M. to 1.00 P.M. on all working days except Sundays up to the date of the Annual General Meeting and shall also be available at the venue of the Meeting.
- vii. Members seeking any further clarification/information relating to the Annual Accounts are requested to write at the registered office of the Company at least ONE WEEK before the date of the Meeting i. e. on or before 20th July, 2007 so as to enable the management to keep the information ready at the Annual General Meeting.
- viii. Pursuant to Section 205C of the Companies Act, 1956 all unclaimed dividends which remain unclaimed/unpaid for a period of 7 (seven) years from the date they became due for payment will be transferred to Investor Education and Protection Fund. The Shareholders shall not be able to claim any unpaid dividend from the said Fund or from the Company thereafter.
- ix. The unclaimed dividend till the financial year 1998-99 has already been deposited with the Investor Education and Protection Fund. The unclaimed dividend for the financial year 1999-2000 shall be deposited with Investor Education and Protection Fund after 17th October, 2007. The same shall not be available for withdrawal. The Shareholders who have not claimed dividend for the financial years 1999-2000 are requested to forward their claims for revalidation of their dividend warrants before 17th October, 2007.
- x. As a measure of economy, copies of the Annual Report shall not be distributed at the Meeting. Members are requested to bring along their own copies to the meeting.
- xi. The shares of the Company are compulsorily traded in demat mode. Hence, the Shareholders who are still holding physical share certificates are advised that it is in their own interest to dematerialize their shareholding to avail benefits of dematerialization viz. easy liquidity, electronic transfer, savings in stamp duty and prevention of forgery.
- xii. Members are requested to notify change in their addresses, bank details, bank mandate and nomination, if any, quoting their respective Folio Numbers and other particulars to the Registrar and Share Transfer Agents of the Company. Alternatively, they may also be sent at the Registered Office of the Company. (Relevant Forms for nomination and updating of Shareholders information is enclosed at the end of the Annual Report.)
- xiii. Members holding shares in the same name under different folios are requested to apply for consolidation of such folios and send relevant share certificates.

By Order of the Board



**Ashish Pandey
Group Head (Legal)
& Company Secretary**

Place: Faridabad
Dated: June 25, 2007



**EXPLANATORY STATEMENT
(PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956)**

ITEM NO. 5

Mr. S. G. Awasthi, born on March 06, 1943, graduated in Science from Allahabad University and did Mechanical Engineering from Roorkee University. He became Chairman of Daewoo Motors India Limited in year 2000. Presently, he is the Managing Director of Jaypee Hotels Limited. He has vast experience of representing the top hierarchy of Indian Industry, Media, Bureaucracy, the Government and business houses like TATA, Toyota etc. He has also served as member and chairman of various state, national and international level committees. He does not hold any share in the Company. In terms of Section 260 of the Companies Act, 1956 and Article 97 of the Articles of Association of the Company, the Board of Directors in its meeting held on 25th January, 2007 appointed him as Additional Director. His office of Director ceases at this Annual General Meeting. The Company has received notice under Section 257 of the Companies Act, 1956 proposing his candidature for appointment as Director liable to retire by rotation.

The Board of Directors of your Company, therefore, recommends the passing of the Ordinary Resolution as set out in the item no. 5 of the Notice.

NATURE OF INTEREST OF OTHER DIRECTOR(S)

Except Mr. S.G. Awasthi himself, no other director is concerned or interested in the passing of the above resolutions as set out in item no. 5.

ITEM NO. 6

Mr. Rakesh Chopra, born on October 17, 1950, is qualified Chartered Accountant (England & Wales) and an MBA from Cranfield University, UK. He had been spearheading various industry groups at top management levels including Escorts. He has rich experience of around 30 years. He does not hold any share in the Company. In terms of Section 260 of the Companies Act, 1956 and Article 97 of the Articles of Association of the Company, the Board of Directors in its meeting held on 25th January, 2007 appointed him as Additional Director. His office of Director ceases at this Annual General Meeting. The Company has received notice under Section 257 of the Companies Act, 1956 proposing his candidature for the appointment as Director liable to retire by rotation.

The Board of Directors of your Company, therefore, recommends the passing of the Ordinary Resolution as set out in the item no. 6 of the Notice.

NATURE OF INTEREST OF OTHER DIRECTOR(S)

Except Mr. Rakesh Chopra himself, no other director is

concerned or interested in the passing of the above resolutions as set out in item no. 6.

ITEM NO. 7

Mr. Sameer Kanwar has Bachelor's Degree in Business Economics from York University, Canada. Having received training for two years with ZF Friedrichshafen AG, he joined BGL as Executive Director in year 2002. At BGL he has been instrumental in pressing forward the art of gear manufacturing and keeping abreast with the latest technology for the highest quality of product. His endeavor for Quality Management System has started delivering Superior Products and consequently the Company has been able to start moving upwards to the growth. He has shown vast talent and shouldered higher task during the tenure of his appointment as Executive Director of the Company and his sincerity, commitment and ideas towards the Company and his role has resulted in opening of new opportunities for the Company.

The present tenure of Mr. Sameer Kanwar, Executive Director-Strategic Planning (hereinafter referred to as "Executive Director"), of the Company for a period of five (5) years w. e. f. 1st February, 2002 to 31st January, 2007 as approved by the Shareholders of the Company in their Annual General Meeting held on 17th September, 2001 expired on 31st January, 2007. In view of the above, the Board of Directors in its meeting held on 25th January, 2007 re-appointed, subject to statutory approvals including from the shareholders, Mr. Sameer Kanwar as Executive Director. Further, it is proposed to the shareholders that in the interests of the Company and its shareholders, Mr. Sameer Kanwar, Executive Director, be re-appointed as Executive Director of the Company for a further period of three (3) years w. e. f. 1st February, 2007 on the revised terms and conditions.

Further, pursuant to the provisions of Sections 198, 268, 269, 309, 310, 311, 316, 317, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the proposed re-appointment and the revised terms and conditions of re-appointment including remuneration stated therein are subject to the approval of the shareholders in this Annual General Meeting by way of a Special Resolution, and subject to the approval of the Central Government, if required, in this regard, and further, subject to the approval of the institutions, as may be required. The terms of remuneration and other terms and conditions of re-appointment has also been approved by the Remuneration Committee of the Board of Directors of the Company in its meeting held on 25th January, 2007.

The proposed remuneration is given below for consideration and approval of shareholders.

A) Salary: Rs. 2,25,000/- per month in the grade of Rs. 2,25,000 - 18,000 - 2,61,000.

B) Perquisites : In addition to the aforesaid salary, he shall be entitled to perquisites equal to 1/3rd of his basic salary.

The total value of the aforesaid perquisites, wherever applicable, shall be computed as per the provisions of Income Tax Act, 1961 read with the applicable Income Tax Rules, as amended from time to time, and for the time being in force.

In case of absence of any such Rule(s), the value of the said perquisite shall be computed at the actual cost incurred.

C) Other terms :

He shall be entitled to re-imburement of actual out-of-pocket expenses incurred in connection with the business of the Company.

He shall be entitled to reimbursement of entertainment expenses incurred for the business of the Company.

As long as he functions as Executive Director he shall not be paid any sitting fee to attend any meeting of the Board and/or Committee thereof.

He shall be entitled to earned/privileged leave as per the rules of the Company.

The Executive Director shall also be eligible to the following perquisites which shall not be included in the computation of ceiling remuneration specified in the said section II part II of Schedule XIII of the Companies Act, 1956:

Contribution to provident fund, Superannuation fund or Annuity fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.

Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.

Encashment of the leave at the end of the tenure.

The Board of Directors of your Company, therefore, recommends the passing of the Special Resolution as set out in the item no. 7 of the Notice.

Certified copy (ies) of the Resolution(s) passed and recommended by the Remuneration Committee of the Board of Directors in its meeting held on 25th January, 2007 and further approved by Board in its meeting held on even date are available for inspection by the members of the Company at its Registered office during the office hours between 11:00 A.M. to 1:00 P.M. on all working hours except Sundays up to the date of Annual General Meeting and shall also be available at the venue of the meeting.

Further, the explanatory statement as per Schedule XIII of Companies Act, 1956 is attached to this Notice seperately.

NATURE OF CONCERN OR INTEREST OF OTHER DIRECTOR(S)

Except Mr. Sameer Kanwar himself, and his relative Mr. Surinder P. Kanwar, Chairman & Managing Director of the Company, no other director is concerned or interested in the passing of the above resolutions as set out in item no. 7.

ITEM NO. 8

Mr. W.R. Schilha (56 years) had been a Director on the Board of the Company since 26th February, 1986 as a representative of ZF Friedrichshafen AG, Germany, the erstwhile foreign collaborator. Mr. Schilha, in Tettngang, Germany, is a graduate of Business Administration. He is the senior vice president, member of the executive board at ZF's commercial vehicle driveline division. He is head of marketing, service and aftermarket as well as head of strategy, business unit "Bus Driveline Technology." He is also the Chairman of ZF Drivetech (Suzhou) Limited in Suzhou, PR, China. He is immensely experienced and has international exposure on various facets of auto industry as a whole including gear technology. He is having expertise in the area of sales, marketing and service.

ZF Friedrichshafen AG, Germany withdrew his nomination from the Board of the Company with effect from 16th May, 2007. However, on the request of the Board of Directors Mr. Schilha agreed to continue on the Board as Additional Director in his personal capacity and not as representative of ZF. He does not hold any share in the Company. He was appointed as Additional Director pursuant to Article 97 of the Articles of Association of the Company and Section 260 of the Companies Act, 1956 by the Board in its meeting held on 16th May, 2007. His office of Director ceases at this Annual General Meeting. The Company has received notice under Section 257 of the Companies Act, 1956 proposing his candidature for the appointment as Director liable to retire by rotation.

The Board of Directors of your Company, therefore, recommends the passing of the Ordinary Resolution as set out in the item no. 8 of the Notice.

NATURE OF INTEREST OF OTHER DIRECTOR(S)

Except Mr. W.R. Schilha himself, no other director is concerned or interested in the passing of the above resolution as set out in item no. 8.

By Order of the Board



Ashish Pandey
Group Head (Legal)
& Company Secretary

Place: Faridabad
Dated: June 25, 2007



STATEMENT OF PARTICULARS PURSUANT TO SCHEDULE-XIII OF THE COMPANIES ACT, 1956

I. GENERAL INFORMATION		
Sl.No	Particulars/Subject	Information
1.	Nature of industry	Manufacture of Automobile Gears.
2.	Date or expected date of commencement of commercial production.	15 th January, 1972
3.	In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus	N.A
4.	Financial performance based on given indicators	In the financial year 2005-2006, the Company made turnover of Rs. 187 Crores and profit before tax Rs. 4.87 crores. Whereas in the present year, the Company registered turnover of 225.43 Crores and profit before tax 11.72 crores. Thus the company has started improving significantly. The position of company is likely to improve further in the current year. The other financial figures are given in the attached annual report of the company for the year 2006-2007.
5.	Export performance and net foreign exchange collections	Export of goods on FOB basis: Rs 2850.50 lacs (Previous Year Rs.1921.82 lacs) Other export earnings: Rs. 207.74 lacs (Previous Year Rs.124.36 lacs).
6.	Foreign Investments or collaborators, if any	No such investment or collaboration except minor shareholding of Non Resident Indians.
II. INFORMATION ABOUT THE APPOINTEE		
1.	Background details	Mr. Sameer Kanwar has Bachelor's Degree in Business Economics from York University, Canada. Having received training for two years with ZF Friedrichshafen AG, he joined BGL as Executive Director in year 2002. At BGL he has been instrumental in pressing forward the art of gear manufacturing and keeping abreast with the latest technology for the highest quality of product. His endeavor for Quality Management System has started delivering Superior Products and consequently, the Company has been able to start moving upwards to the growth. He has shown vast talent and shouldered higher task during the tenure of his appointment as Executive Director of the Company and his sincerity, commitment and ideas towards the company and its role has resulted in opening of new opportunities for the Company.
2.	Past remuneration	Basic Salary: 70,000/- per month in the grade of Rs. 70,000-5,000-90,000. Perquisites like Housing (Rs. upto 45000/- per month), Chauffer driven Company's car for business and private purposes, Free telephone facility at residence, Mobile phone for official use, Reimbursement of medical and hospitalization expenses for self, wife and dependent children upto Rs. 10,000/- in a year or Rs. 30,000/- in block of three years, Payment of premium in respect of Life/Health Insurance for self & dependents to the extent of Rs. 35,000/- p.a., In addition to the above, he is eligible for reimbursement of other perks not exceeding Rs. 15,000/- per month or Rs. 1,80,000/- per year. Furnishing: Hard Rs. 7,00,000/-, Soft Rs. 1,00,000/- The Executive Director is also eligible to the following perquisites which is not included in the computation of ceiling remuneration specified in the said section II part II of Schedule XIII of the Companies Act, 1956. Contribution to provident fund, Superannuation fund or Annuity fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961. Gratuity payable at a rate not exceeding half a month's salary for each completed year of service. Encashment of the leave at the end of the tenure.
3.	Recognition or awards	During the last tenure of Mr. Sameer Kanwar, the Company has been awarded number of times.
4.	Job profile and his suitability	Mr. Sameer Kanwar has been bestowed with managerial powers subject to supervision and control of professional Board of Directors. Under his superior effort and pragmatic leadership, the Company has progressed steadily since his appointment. In view of his strategic and updated knowledge & experience, he is considered suitable person for the position of Executive Director – Strategic Planning of the Company.
5.	Remuneration proposed	Salary of Rs. 2,25,000 in the scale of 2,25,000-18,000-2,61,000 and other perquisites equivalent to 1/3 rd of his basic salary. The Executive Director is also eligible to the perquisites, which is not included in the computation of ceiling remuneration specified in the said section II part II of Schedule XIII of the Companies Act, 1956 i.e. Contribution to provident fund, Superannuation fund or Annuity fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961, Gratuity payable at a rate not exceeding half a month's salary for each completed year of service. The detailed remuneration is also given in the explanatory statement as per Section 173(2) of the Companies Act, 1956.
6.	Comparative remuneration profile with respect to industry, size of the company, profile of the position and person	Encashment of the leave at the end of the tenure. The remuneration being proposed is comparative with the remuneration being paid to the CEO / Managing Director / Executive Directors of the companies of the same size in the industry.
7.	Pecuniary relationship directly or indirectly with the Company personnel, if any	Mr. Sameer Kanwar's pecuniary relationship with the Company is disclosed in the "Related party disclosure" in notes to the accounts. In the opinion of Board of Directors of the Company, none of the transaction is prejudicial to the interest of the Company. Further, his Father Mr. Surinder P. Kanwar is also the Chairman & Managing Director of the Company.
III. OTHER INFORMATION		
1.	Reason of loss or inadequate profits taken for improvement	In the current year, we made profit after tax. However, the increase in raw material cost, cost of power & fuel and coupled with absorption of past losses has resulted in inadequate profits.
2.	Steps taken or proposed to be taken for improvement	The Company has adopted the following measures to improve the profitability: <ul style="list-style-type: none"> ● Cost Control in all areas ● Deeper penetration in the replacement market in India & abroad. ● Improvement in OE & Export Sales and ● Improving the quality to make products competitive in Indian & Overseas markets.
3.	Expected increase in the productivity and profits in measurable terms.	The Company has set the target of Rs.283.07 crores turnover for the current year 2007-08. The Projected cash profit for the period is Rs. 23.78 crores and net profit of Rs. 8.63 crores.

DIRECTORS' REPORT

THE MEMBERS OF BHARAT GEARS LIMITED

The Directors are pleased to present the 35th Annual Report on the business and operations of the Company and Audited Statement of Accounts of the Company for the financial year ended on 31st March, 2007.

	(Rupees/Crores)	
	Financial year ended	
FINANCIAL RESULTS	31.03.2007	31.03.2006
Sales and other income (gross)	232.43	191.16
Profit before interest & other finance charges and depreciation	31.47	23.86
Finance interest & other finance Charges	9.66	9.70
Depreciation	10.09	9.29
Profit before tax	11.72	4.87
Less: Current tax/Deferred tax/Fringe benefit tax (net)	2.93	0.89
Profit after tax	8.79	3.98
Add: Balance brought forward from previous year	(13.03)	(17.01)
Balance carried to Balance Sheet	<u>(4.24)</u>	<u>(13.03)</u>

DIVIDEND

In view of accumulated losses of the previous years, your directors preferred not to recommend any dividend on the equity as well as preference shares of the Company for the year under review. Also no amount is being proposed to transfer to any reserve in the Balance Sheet as at 31st March, 2007.

FINANCE

During the year under review, issue of equity shares aggregating to 18,04,115 of Rs. 10/- each on rights basis to the existing shareholders in the ratio of 3 equity shares for every 10 shares held, at a premium of Rs.30/- per share (Issue Price of Rs. 40/- per share) aggregating to Rs. 721.65 lacs, was successfully completed and the proceeds of the issue was utilized for redemption of preference shares of Rs.150 lacs and the balance of Rs.471.49 lacs (net of adjustment of unsecured loans of Rs.100.16 lacs) was utilized for repayment of long-term debts.

During the year, a term loan of Rs 300 lacs was availed to finance purchase of fixed assets. Further, scheduled repayments of Rs.1044.39 lacs (including the repayment of Rs.471.49 lacs stated above) were made to Financial Institutions & Banks.

During the year, having regard to long standing relationship with the company and as a measure of goodwill and also to provide operational benefits to the company, the financial collaborator ZF Friedrichshafen AG waived the entire amount of the foreign currency loan of Rs. 228.68 lacs along with the

interest accrued thereon of Rs.27.40 lacs, aggregating to Rs.256.08 lacs.

The budgetary plan for the financial year 2007-2008 has already been finalized, which includes fresh capital budget towards replacement/quality/modernization and expansion of capacity.

MANAGEMENT DISCUSSION AND ANALYSIS

BGL continues to be the leader in India, for manufacture and supply of Gear components for the Heavy/Medium Commercial Vehicle, Utility Vehicle and for the Tractor segment.

In addition to Domestic OEM segment, exports of automotive gears are a major thrust area for the Company.

(a) Industry Structure & Developments in the Industry:

The structure of the Indian automotive industry comprises of the following product manufacturers:

- Commercial vehicles (HCV, MCV and LCV)
- Utility vehicles (SUV)
- Cars
- Two wheelers and Three wheelers
- Tractors
- Off-highway vehicles

During the year under review, all the segments have continued to show a very robust growth. The automotive sector is one of the leading contributors to the growth of our economy.

Tractor Industry :

The Indian tractor industry has posted a growth of about 20% as compared to the previous year. Supplies of Gear components to this industry accounts for about 50% of our Company's turnover.

Demand from our Company's domestic tractor customers, who are also active in the export market, is upbeat for the current year.

For year 2008, the domestic sector is expected to grow by 15% and exports are also expected to grow by 15%.

Commercial Vehicle Industry :

The domestic industry recorded a growth of about 25% during the period and exports grew by about 35%.

LCV's recorded a growth of 32% while the increase for Medium and Heavy commercial vehicles was 33%. The lighter range of commercial vehicles with payload of 500-1000 KG is expected to continue to grow by more than 30% in 2008.

The Company is a very active player in this sector.



Utility Vehicles:

Utility vehicle sales grew by about 13% over that of the previous year, and the growth is expected at about 15% in the current year. All players have introduced a range of models and have plans for introduction of more models in the financial year 2008. Your Company is active supplier of Gear components to the manufactures of vehicles in this sector.

(b) Opportunities and Threats:

In line with WTO agreement, import duties were further lowered for automotive components.

Further, norms for foreign direct investment have also been liberalised. Thus foreign component manufacturers have entered the auto component industry in India.

Considering that the GDP growth rate may be about 8.5% in 2008, when monsoons are also expected to be normal, the Industry should be able to grow in the current year.

Power outages, however, continue to be a major cause of concern. The Alloy steel prices have hardened and nickel prices continue to move up. Further, the spiraling cost of fuels continues to be a cause for concern.

(c) Outlook:

BGL has achieved 22% growth over the previous year and we expect growth of 22% in the financial year 2007-08. The exports are expected to grow by 13%.

On the Export front, the Company caters to OE orders from Europe, China and USA and are also active in the Middle East aftermarket. The auto components industry is growing rapidly. As mentioned earlier, the opportunities in India are attracting big names and major international OEMs have started outsourcing components from Indian manufacturers. Further existing OEM's have stepped up operations to cater to domestic and their export demands. Many new entrants have started domestic manufacture of automotive components. However, despite competition, the outlook is positive and we are gearing ourselves to meet the competition.

Outlook on furnace business continues to be optimistic in light of capital expenditure plans drawn up by automotive industry.

d) Risks & Concerns:

During the year under review, the Company achieved a growth in turnover of 22%. Wage increases coupled with increases in prices of alloy steels and petroleum products have sharply increased the cost of production. Further exchange rates have adversely affected our export realizations. Interest rates have also firmed up. As a result, margins are under pressure.

e) Internal Control Systems and their adequacy:

The Company maintains adequate internal control systems,

which assure proper recording of transactions of its operations and also ensure protection against misuse or loss of the company's assets.

Independent firms of chartered accountants carried out internal audit of the Company. Internal audit is carried out at periodic intervals to ensure that the Company's internal control systems are adequate and complied with.

Both the plants of the Company continue to be certified under ISO/TS16949 and ISO 9001.

(f) Discussion on Financial Performance with respect to operational performance

Demand for your Company's products continued to be buoyant. Turnover increased by 22% over that of the previous year. Profit before interest & other finance charges and depreciation was higher at Rs 31.47 crores as against Rs 23.86 crores in the previous year. After provision for MAT of Rs.130 lacs & deferred tax of Rs.158.31 Lacs, Net profit after tax was at Rs 8.79 crores as against Rs 3.98 crores of the previous year.

(g) Developments in human resources and industrial relations:

Industrial relations at both the plants continued to be satisfactory.

Under the Voluntary Retirement Scheme, 20 employees left the Company at a cost of Rs 0.69 crores.

Employees' headcount at the end of the year was 1339.

A Statement required under Section 217(2A) of the Companies Act, 1956 is annexed.

FIXED DEPOSITS

During the year under review, the Company did not accept any fixed deposits. In terms of section 205C of the Companies Act 1956, the deposit and interest thereon which remains unclaimed for a period of seven years from the date when it became due is required to be deposited with the Investor Education and Protection Fund established under the Companies Act, 1956. Accordingly, a sum of Rs.5584 towards unclaimed interest on fixed deposits in respect of matured deposits was deposited with the said Fund during the Year.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement, a Report on Corporate Governance, together with a certificate of Compliance from Statutory Auditors is enclosed after this report.

DIRECTORS

In accordance with the Articles of Association of the Company, Mr. V.K. Pargal and Mr. N.J. Kamath Directors retire by rotation at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment.

Further, Mr. Sameer Kanwar has been re-appointed, subject to approval of shareholders in forthcoming Annual General Meeting and pursuant to the provisions of Sections 198, 269, 309, 310, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, as Executive Director-Strategic Planning, with effect from 1st February, 2007 for a period of three years. During the year, Life Insurance Corporation of India nominated Mr. G.N. Agarwal as its representative on the Board of the Company in place of Mr. J.S. Bhandari. Mr. S. G. Awasthi and Mr. Rakesh Chopra were also appointed as Additional Directors with effect from 25th January, 2007. The Company has received notices under Section 257 of the Companies Act, 1956 proposing candidatures of Mr. S.G. Awasthi and Mr. Rakesh Chopra for appointment as Directors liable to retire by rotation in the forthcoming Annual General Meeting.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956 the Directors confirm that -

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- ii) appropriate accounting policies have been selected and applied consistently and have made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2007 and of the profits of the Company for the period ended on that date;
- iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv) the annual accounts have been prepared on a going concern basis.

PARTICULARS OF EMPLOYEES

Information regarding employees in accordance with the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended is given in Annexure 'A' to the Directors' Report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS & OUTGO

The information in accordance with the provisions of Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in Annexure 'B' to the Directors' Report.

AUDITORS

M/s. A. F. Ferguson & Co., Chartered Accountants, the Statutory Auditors of the Company hold office until the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment. The Company has received letter from them to the effect that their appointment, if made, would be within the prescribed limits under Section 224 (1B) of the Companies Act, 1956.

COST AUDIT

In terms of the approval of the Central Government, M/s. M. K. Kulshrestha & Associates, Cost Accountants, were appointed as Cost Auditors of the Company for auditing the Cost records for the year ended 31st March, 2007.

ACKNOWLEDGEMENTS

The Board of Directors appreciatively acknowledge the continued cooperation, trust and support of our shareholders and would like to place on record its appreciation for the dedicated services rendered by the Employees at all levels. The Directors further express their gratitude to the Financial Institutions, Bankers, Customers, Suppliers and Collaborators as well for the assistance and confidence reposed by them in the Company.

For and on behalf of the Board of Directors




Place: Mumbai
Dated: May 16, 2007

Surinder P. Kanwar
Chairman and Managing Director

**BHARAT GEARS LIMITED**

Annexure-'A'

Information pursuant to Section 217 (2A) of the Companies Act, 1956 read with Companies Particulars of Employees Rules, 1975 as Amended up to date and Forming Part of the Directors' Report for the year ended 31st March, 2007.

Sl. No.	Name	Age (in Years)	Qualification	Designation	Date of Commencement of Employment	Years of Experience	Remuneration (in Rs. Lacs)	Particulars of Last Employment
A. Employed for the Full Financial Year :								
1.	Surinder P. Kanwar	54	B.Com	Chairman & Managing Director	01.10.1990	32	83.24	Managing Director BST Mfg. Ltd.
2.	Sameer Kanwar	30	Bachelor's Degree (Bus. Eco.)	Executive Director- Strategic Planning	01.02.2002	07	#28.19	Management Trainee ZF Friedrichshafen AG, Germany
B. Employed for the part of the year						Nil		
Notes:								
1. Remuneration includes salary, allowances, Co's contribution to Provident Fund, Superannuation, Gratuity Funds and value of other perquisites on the basis of Income Tax Act, 1961.								
2. Except Mr. Sameer Kanwar, Executive Director - Strategic Planning, who is relative of Mr. Surinder P. Kanwar, Chairman & Managing Director of the Company, none of the employee is related to any of the Director of the Company.								
3. All the appointments, except that of Mr. Surinder P. Kanwar and Mr. Sameer Kanwar, are Non-Contractual.								
#Includes Rs. 7.39 lacs being remuneration for the period 01.02.2007 to 31.03.2007 paid to Executive Director. The re-appointment and remuneration are subject to approval of the shareholders by way of Special Resolution in the forthcoming Annual General Meeting.								
						For and on behalf of the Board of Directors		
								
						Surinder P. Kanwar Chairman & Managing Director		
Place : Mumbai Dated : May 16, 2007								

Annexure-'B'

Report on Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo and Forming part of Directors' Report for the year ended 31st March, 2007.**A. Conservation of energy**

a) Energy conservation measures taken:

The fluorescent tube lighting replacement with energy efficient ones has been completed. Further, at Mumbra plant, the North lights roofing is being replaced by transparent material, which will reduce the lighting requirement in the plant by 40% during the daytime;

b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy:

An old compressor has been replaced with newer higher capacity compressor. The new investment gives a payback period of 21 months through energy savings Further we have ordered a new diesel generator which when installed in July, 2007 will reduce production interruptions due to power failures as well as reduce tool breakage and shop rejection due to sudden failure of power;

c) Impact of the measures (a) to (b) above for reduction of energy consumption and consequent impact on the cost of the production of goods:

BHARAT GEARS LIMITED

To encourage electrical consumers to maintain Unity Power Factor, MSEB the power utility company for Mumbra plant gives an incentive of 7% of the energy charge. We are continuing to avail of this discount over last twelve months;

- d) Total energy consumption and energy consumption per unit of production as per Form A of the Annexure in respect of industries in the Schedule thereto:

—————Not Applicable—————

B. Technology Absorption

- e) Efforts made in technology absorption are as per Form B of the Annexure

Form for disclosure of particulars with respect to absorption

Research and development (R & D)

The Company is in the business of manufacturing and supplying automotive gears to OEM's and for aftermarket sales both for domestic and overseas markets. The nature of business activity carried on by the Company, at present, does not entail any Research and Development as such. However the Company extends the design software facility for developing the new products to their customers.

Hence clauses 1 to 4 relating to Research and Development are not applicable

Technology Absorption, adaptation and innovation.

1.	Efforts, in brief, made towards technology absorption, adaptation and innovation.	Green grinding of Parallel Axis gears was introduced in the Company a few years back with the TAG gear-grinding machine. With the addition of Reishauer CNC grinding machine recently, this technology is further extended to cover more new products being developed by the Company.
2.	Benefits derived as a result of the above efforts, e.g. product improvement, cost education, product development, import substitution, etc.	Benefits accrue to the Company in terms of reduced rejection and better productivity and delivery.
3.	In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished: a) Technology imported	Not Applicable
	b) Year of import	Not Applicable
	c) Has technology been fully absorbed	Yes
	d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action.	Not Applicable

C. Foreign Exchange Earnings and Outgo:

- (f) Activities relating to exports; initiatives taken to increase export; development of new export markets for products and services; and export plans. added several new customers during the year. Efforts are on to explore new OEM markets, particularly in USA. We have received orders from existing customers as well as added several new customers during the year.

- (g) **Total foreign exchange used and earned.**

The particulars with respect to foreign earnings and outgo are as follows:

(Rs. In Lacs)

	2006 - 2007	2005-2006
Foreign Exchange Earned	3057.74	2088.59
Foreign Exchange used	235.73	172.24
Net Foreign Exchange earnings	2822.01	1916.35

For and on behalf of the Board of Directors



Surinder P. Kanwar
Chairman & Managing Director

Place : Mumbai
Dated : May 16, 2007



CORPORATE GOVERNANCE REPORT

For the Year ended 31st March, 2007
(Pursuant to Clause 49 of the Listing Agreement)

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Corporate Governance at Bharat Gears Limited takes care of overall well-being and welfare of the system and takes into account the stakeholders' interest in every business decision. Corporate Governance is a combination of voluntary practices and compliances of laws and regulations leading to effective control and management of the Organization and its valuable resources through effective and transparent business conduct integrating communication, integrity and accountability towards its stakeholders.

The Company is committed to pursue growth by adhering to the highest national and international standards of Corporate Governance. The Company's philosophy on corporate governance is based on the following principles:

- Lay solid foundations for management.
- Promote ethical and responsible decision-making.
- Structure the Board to add value.
- Encourage enhanced performance.
- Safeguard integrity in financial reporting.
- Respect the right of the shareholders.
- Recognise the legitimate interest of shareholders.
- Remunerate fairly and responsibly.
- Recognise and manage business risks.
- Make timely and balanced disclosures.
- Legal and statutory compliances in its true spirit.

Your Company is following transparent and fair practices of good Corporate Governance and its constant endeavor is to continually improvise upon those Practices. The Company recognizes communication as key element in the overall Corporate Governance framework and therefore, emphasizes on keeping abreast its stakeholders including investors, lenders, vendors & customers on continuous basis by effective and relevant communication through Annual Reports, quarterly results, corporate announcements and reflecting the same on the Company's website www.bharatgears.com.

2. BOARD OF DIRECTORS

Your Company has an optimum combination of executive and non-executive independent directors on the Board. The Board consists of 10 members, the Chairman of the Board is an executive director and more than half of the strength of the Board consists of non-executive independent directors. All non-

executive Independent Directors bring a wide range of expertise and experience to the Board. The Board believes that the current size of the Board is appropriate based on the Company's present requirements.

A. Board's definition of independent director

Independent director shall mean Non-executive director of the Company who:

1. apart from receiving the Directors remuneration, does not have any material pecuniary relationships or transaction with the Company, its promoters, its directors, its senior management or its holding Company, its subsidiaries and associates which may affect independence of the director;
2. is not related to promoters, Chairman, Managing Director, Whole Time Director, Secretary, CEO or CFO and to any person in the management at one level below the Board;
3. has not been an executive of the Company in the immediately preceding three financial years;
4. is not a partner or an executive or was not partner or an executive during the preceding three years, of any of the following:
 - a. the statutory audit firm or the internal audit firm that is associated with the Company, and
 - b. the legal firm(s) and consulting firm(s) that have a material association with the entity.
5. is not a material supplier, service provider or customer of the Company which may affect independence of the directors. This should include lessor-lessee type relationships also; and
6. is not a substantial shareholder of the Company, i.e. owning two percent or more of the block of voting shares.

The Board of Directors of the Company have decided that the materiality/significance shall be ascertained on the following basis:

- The concept of 'materiality' is relevant from the total revenue inflow and/or outflow to and/or from a particular individual/body, directly or indirectly, during a particular financial year.
- The terms 'material' needs to be defined in percentage. One per cent (1 per cent) or more of total turnover of the Company, as per latest audited annual financial statement.

The **Table 1** gives Composition of the Board, Attendance record of the directors at the Board Meetings and at the last Annual General Meeting (AGM); Number of their outside directorships and their memberships/chairmanships in Board Committees.

Table 1

S.No	Name of Director	Category	No. of Board meeting attended ^A	Attendance at last AGM	No. of outside Director ships held ^B	No. of memberships/ Chairmanships in Board Committees ^C	Member Chairman
1.	Mr. Surinder P. Kanwar	Executive Director (Chairman & Managing Director)	4	Present	2	1	—
2.	Mr. Sameer Kanwar	Executive Director (Strategic Planning)	4	Present	—	1	—
3.	^D Mr. W.R.Schilha	Non-Executive Director (Nominee of ZF Friedrichshafen AG)	4	Present	—	—	—
4.	^D Mr. A.F.Hartmann	Non-Executive Director (Nominee of ZF Friedrichshafen AG)	2	—	—	—	—
5.	Dr. Ram S. Tarneja	Independent Director	3	—	11	5	2
6.	Mr. N.J. Kamath	Independent Director	4	Present	—	1	1
7.	^E Mr. V.K. Pargal	Independent Director	3	Present	—	—	1
8.	^F Mr. J. S. Bhandari	Independent (Nominee Director, LICl)	2	Present	—	—	—
9.	^F Mr. G.N. Agarwal	Independent (Nominee Director, LICl)	—	—	—	—	—
10.	^G Mr. S.G. Awasthi	Independent (Additional Director)	—	—	1	—	—
11.	^G Mr. Rakesh Chopra	Independent (Additional Director)	—	—	—	—	—

^AAttendance at the Board Meetings relevant to the period when Director of the Company.

^BIncludes Directorship in companies registered under the Companies Act, 1956, excluding directorship in private companies, alternate directorship, Companies registered under Section 25 of the Companies Act, 1956 and foreign companies.

^CIncludes Membership/Chairmanship of Audit Committee and Shareholders' /Investors' Grievance Committee. None of the Directors of your Company is a member of more than Ten (10) committees or is the chairman of more than Five (5) committees across all companies in which they are Directors. The Membership / Chairmanship also includes Membership/ Chairmanship in Bharat Gears Limited.

^DZF Friedrichshafen AG, has withdrawn the nomination of Mr. Andreas Hartmann, therefore, he is not on the Board of the Company with effect from 16th May, 2007. However, Mr. W.R. Schilha consented and he has been appointed as Additional Director with effect from 16th May, 2007. Pursuant to provision of Section 260 of the Companies Act, 1956 the office of an Additional Director ceases at the next annual general meeting. However, such person can be appointed as Director liable to retire by rotation by the shareholders.

^EMr. V. K. Pargal is also a Director on the Board of Pargal Consultants Pvt. Ltd (PCPL), which is providing consultancy service to the Company in its professional capacity. Professional fees paid to PCPL for the year 2006-2007 is Rs. 1,08,000/-. The Board is of the opinion that such payments in the context of overall expenditure by the Company, is not significant and does not affect his independence.

Apart from this, no other non-executive director has any pecuniary relationships/transactions vis-à-vis the Company (other than the sitting fees for attending the Board/Committee meetings).

^FThe Life Insurance Corporation of India changed its representative on the Board of the company with effect from 25th January, 2007 by nominating Mr. G.N. Agarwal in place of Mr. J.S. Bhandari. Before his resignation, Mr. J.S. Bhandari attended two Board meetings and last year's Annual General Meeting of the Company.

^G Mr. S.G. Awasthi and Mr. Rakesh Chopra were appointed as Additional Directors by the Board in its meeting held on 25th January, 2007. Pursuant to provision of Section 260 of the Companies Act, 1956, the office of Additional Director ceases at the next annual general meeting. However, they can be appointed as Directors liable to retire by rotation by the shareholders.

B. Board Meetings

During the financial year 2006-07, four (4) Board Meetings were held on the following dates. The gap between any two meetings was not more than 4 months as mandated in clause 49 of the listing agreement: -

- 23rd May, 2006;
- 21st July, 2006;
- 19th October, 2006 and
- 25th January, 2007

C. Information supplied to the Board

The Board has complete access to all information with the Company. The information is provided to the Board and the agenda papers for the meetings are circulated in advance of each meeting.

3. BOARD COMMITTEES

A. Audit Committee

i. Constitution and Composition

The "Audit Committee" comprises of the following three non-executive & independent directors, who have financial/ accounting acumen to specifically look into internal controls and audit procedures. All the members are financially literate and have accounting and financial management expertise.

The **Table 2** gives the composition of the audit committee and the attendance record of members of the committee:

Table 2.

S.No.	Name of Member	Designation	No. of meetings Held/attended
1.	Mr. V.K.Pargal *	Chairman	4/3
2.	Dr. Ram S. Tarneja	Member	4/3
3.	Mr. N.J.Kamath	Member	4/4

*Mr. V.K.Pargal has been appointed as Chairman of Audit Committee w.e.f. 20th July, 2006. However, for the meeting of Audit Committee held on 22nd May, 2006 Dr. Ram S. Tarneja was the Chairman.



In addition to the members of the Audit Committee, the Financial Controller, Internal Auditor and the Statutory Auditors attended the meetings of the Committee as invitees. Members held discussions with Statutory Auditors during the meetings of the Committee. The Audit Committee reviewed the quarterly, half-yearly un-audited & annual audited financials of the Company before submission to the Board of directors for their consideration and approval. The Committee also reviewed the internal control systems and conduct of the internal audit.

The Chairman of the Committee was present at the last Annual General Meeting to answer the shareholders' queries.

Mr. Ashish Pandey, Group Head (Legal) & Company Secretary of the Company acted as secretary to the aforesaid committee meetings except the meeting held on 22nd May, 2006.

ii. Audit Committee Meetings

During the year, four (4) meetings of the Audit Committee were held on the following dates:

- 22nd May, 2006;
- 20th July, 2006;
- 19th October, 2006 and
- 25th January, 2007.

iii. Terms of reference

The broad terms of reference as delegated to the Audit Committee by the Board are as follows:

- a) Overview of the Company's financial reporting process and disclosure of its financial information;
- b) Recommending the appointment/removal of external auditors, nature and scope of audit, fixation of audit fee and payment of fees for any other service rendered by external auditors;
- c) Reviewing with the management, the quarterly, half yearly and annual financial statements before submission to the Board;
- d) Reviewing with the management, internal and external auditors, the internal audit reports and the reports of the external auditors;
- e) Reviewing the adequacy and effectiveness of internal audit function, the internal control system of the Company, compliance with the Company's policies and applicable laws and regulations;
- f) Reviewing the Company's financial and risk management policies;
- g) To look into the reasons for substantial defaults, if any, in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.

The Audit Committee may also review such matters as may be referred to it by the Board or which may be specified as role of the audit committee under amendments, if any, from time to time, to the Listing Agreement, Companies Act and other statutes.

B. Remuneration Committee

i. Constitution and Composition

In terms of the non-mandatory requirement of Clause 49 of the Listing Agreement, the "Remuneration Committee" was constituted on 22nd April, 2002. The said Committee has been empowered to consider, approve and recommend the remuneration of the Whole Time Director/Managing Director. The Remuneration Committee constitutes of following three directors. **Table 3** gives the details:

Table 3

S.No	Name of Members	Designation	No of Meetings held/attended
1.	Mr. N.J. Kamath	Chairman	1/1
2.	Dr. Ram S. Tarneja *	Member	1/1
3.	Mr. V.K.Pargal	Member	1/0

*As per the recommendation of Board of directors of the Company, Dr. Ram S. Tarneja has been inducted as member of Remuneration Committee in place of Mr. Jai Singh Bhandari, who ceased to be director of the Company as Life Insurance Corporation of India withdrew his nomination.

ii. Remuneration Committee meetings

The Remuneration Committee meets as and when required. During the year under review, the Committee met once on 25th January, 2007 to consider and recommend the remuneration of Mr. Sameer Kanwar, Executive Director – Strategic Planning.

The Chairman of the Remuneration Committee was present at the last Annual General Meeting, to answer the shareholders' queries.

The remuneration policy of the Company is based on the need to attract the best available talent and be in line with the industry levels.

C. Shareholders'/Investors' Grievance Committee

The "Shareholders'/Investors' Grievance Committee" has been empowered to look into the shareholders/investors grievances and redressal of the same. The said Committee is also authorised to effect transfers/transmissions of equity shares/debentures and other securities and also to issue Duplicate Shares and other securities and matters related or incidental thereto.

The **Table 4** gives the composition of the Shareholders'/Investors' Grievance Committee and the attendance record of members of the Committee:

Table 4

S. No.	Name of Member	Designation	No. of meetings held/ attended
1.	Mr. N. J. Kamath	Chairman	3/3
2.	Mr. Surinder P. Kanwar	Member	3/3
3.	Mr. Sameer Kanwar	Member	3/2

Mr. N. J. Kamath is a non-executive independent director whereas Mr. Surinder P. Kanwar and Mr. Sameer Kanwar are executive Directors.

i. Shareholders'/Investors' Grievance Committee meetings

During the financial year 2006-07, the Committee met three (3) times on 22nd May, 2006, 19th October, 2006 and 9th March, 2007 respectively and 85 Letters/Request/Complaints were received from the shareholders till 31st March, 2007; were replied/resolved to the satisfaction of the shareholders. All the requests for transfers and transmissions have been duly acted upon and no such request was pending as on 31st March, 2007.

ii. Sub-Committee

In order to have speedy disposal of the shareholders'/investors' requests for transfer and transmission, a sub-committee consisting of the following directors/officers of the Company is in place for effecting share transfer/transmission/ split/consolidation of shares :

- a. Mr. Surinder P. Kanwar, Chairman & Managing Director
- b. Mr. Sameer Kanwar, Executive Director
- c. Mr. P.C. Kothari, Process Head (Finance & Accounts)
- d. Mr. Ashish Pandey, Group Head (Legal) & Company Secretary

Any two of the above are authorised to consider and approve the share transfer/transmission/ split/consolidation of shares. The sub-committee is attending to Share Transfer formalities at least once in a fortnight.

4. COMPLIANCE OFFICER

Mr. Ashish Pandey, Company Secretary, has been acting as the Compliance Officer of the Company with effect from 23rd May, 2006.

He replaced the previous Company Secretary Mr. Gulshan Bhatia, upon his resignation from the Company. Mr. Gulshan Bhatia was acting as the Compliance Officer of the Company till he was relieved from the services of Company w. e. f. 22nd May, 2006.

5. DIRECTORS

A. Re-appointment of existing non-executive rotational directors.

In accordance with the provisions of Companies Act, 1956 and the Article of Association of the Company, Mr. V.K.Pargal and

Mr. N.J.Kamath, being 1/3rd of the rotational directors, are liable to retire at the forthcoming Annual General Meeting and being eligible for re-appointment, have shown their willingness to be re-appointed. The Board recommends their re-appointment.

B. Re-appointment of Executive Director

The tenure of Mr. Sameer Kanwar, Executive Director-Strategic Planning of the Company expired on 31st January, 2007. The Board of Directors in its meeting held on 25th January, 2007 have unanimously re-appointed him, subject to requisite approval(s), as the Executive director of the Company for a period of three (3) years commencing from 1st February, 2007.

C. Appointment of Additional & Nominee Directors

During the year under review, three new directors were appointed out of which LIC of India nominated one in place of existing nominee director. Mr. Rakesh Chopra and Mr. S.G. Awasthi have been appointed as Additional Directors and Mr. G.N. Agarwal has been co-opted as Nominee Director of LIC of India.

The resumes of these directors are given in the table below:

The **Table 5** gives the information pertaining to the directors who are to be appointed or re-appointed in the forthcoming Annual General Meeting:

Table 5

S.No.	Particulars of Directors
1. Mr. V.K.Pargal, Director	Brief Resume: Mr. Virender K. Pargal (74 Years) is a non-executive independent director of the Company since 24 th January, 2002. Mr. Pargal is a qualified Chartered Engineer from England. He is presently also managing a consultancy company specializing in business Strategies & Structures and he holds the directorship in Pargal Consultants Pvt. Ltd. Apart from being the member of Remuneration Committee of Bharat Gears Ltd, he is also the Chairman of Audit Committee of Bharat Gears Ltd. He is holding 100 shares of Bharat Gears Limited, which is less than 1% of the total paid up equity share capital.
2. Mr. N.J. Kamath, Director	Brief Resume: Mr. N.J. Kamath aged 85 years is a non-executive independent director of the Company since 22 nd August, 1985. Mr. Kamath is retired IAS officer and is vastly experienced. During his tenure with the Government of India, he served in various capacities in the Ministry of Finance, Ministry of Industry, Ministry of Supplies and Ministry of Urban Development. He has rich experience in General Administration, Management Strategy, HRD, Government Industry Relationship, Corporate Governance etc. He is Chairman of the Shareholders'/Investors' Grievance Committee and member of Audit Committee and Remuneration Committee of the Company. He had been a visiting and guest faculty to many management institutes. He is not holding any share in the Company.



3 Mr. Sameer Kanwar, Executive Director

Brief Resume: Mr. Sameer Kanwar, a young and energetic person, is a third generation Entrepreneur. As Executive Director-Strategic Planning of Bharat Gears Ltd, he has been spearheading the Business Operations of the Faridabad plant of the Company. He holds a Bachelor's Degree in Business Economics from York University, Canada. After Completing graduation, he received two year's training in the areas of Planning, Finance and Control at ZF Friedrichshafen AG, Germany, the world's largest maker of drivelines and chassis for automobiles. He has overall experience and exposure in Marketing, Purchase and Management. He believes that creation of a successful organization needs nurturing of people and developing a climate that recognizes performance and leadership. He is director in Clip Lok SimPak India (P) Ltd, Ultra Consultants Pvt. Ltd., Vibrant Finance & Investment Pvt Ltd, Future Consultants Pvt. Ltd. and Samreet Investment & Management Consultancy Pvt. Ltd. He is not holding any share in the Company. He is member in Shareholders'/ Investors' Grievance Committee of the Company.

4 Mr. Gorakh Nath Agarwal, Nominee Director

Brief Resume: Mr. G. N. Agarwal is a Post Graduate in Mathematics from Agra University. Presently, he is Executive Director (Actuarial) & Appointed Actuary with Life Insurance Corporation of India. Further, he is a Fellow of Actuarial Society of India and the Vice President of Actuarial Society of India. He has also been the Managing Editor of Actuary India, Magazine of Actuarial Profession in India. He is not holding any share in the Company.

5 Mr. Rakesh Chopra, Additional Director

Brief Resume: Mr. Rakesh Chopra, born on 17th October, 1950, is qualified Chartered Accountant (England & Wales) and an MBA from Cranfield University, U.K. He had been spearheading various industry groups at top management levels including Escorts. He has rich experience of around 30 years. He is director in G.P.R. Enterprises Pvt. Ltd, Kemptay Cottages Pvt. Limited and Gaurav Farms Pvt. Limited. He is not holding any share of the Company.

6 Mr. Shiv Gopal Awasthi, Additional Director

Brief Resume: Mr. S.G. Awasthi, born on 6th March, 1943 graduated in Science from Allahabad University and did Mechanical Engineering from Roorkee University. He became Chairman of Daewoo Motors India Limited. Presently, he is the Managing Director of Jaypee Hotels Limited. He has vast experience of representing the top hierarchy of Indian Industry, Media, Bureaucracy, and the Government and business houses like TATA, TOYOTA etc. He has also served as member and Chairman of various state, national, and international level committees. He does not hold any share in the Company.

6. GENERAL BODY MEETINGS

The last three Annual General Meetings of the Company were held as detailed below:

Annual General Meetings

Financial Year	Venue	Date	Time	Whether any special resolution passed
2005-2006	Municipal Auditorium, NIT, Faridabad, Haryana-121001	21.07.2006	11.30A.M	No
2004-2005	Municipal Auditorium, NIT, Faridabad, Haryana-121001	27.07.2005	10.30A.M	Yes
2003-2004	Municipal Auditorium, NIT, Faridabad, Haryana-121001	23.07.2004	11.00A.M	No

Extra- ordinary General Meetings

Financial Year	Venue	Date	Time	Whether any Special Resolution passed
2005-2006	Hotel Mahalakshmi Palace, 68, Neelam Bata Road, NIT, Faridabad, Haryana-121001	14.12.2005	2.30 P.M	Yes
2003-2004	Municipal Auditorium, NIT, Faridabad, Haryana-121001	23.07.2004	11.30 A.M	Yes

At these meetings, no resolution was put through postal ballot.

7. DISCLOSURES

A. Basis of Related Party Transactions

During the year 2006–2007, there were no material individual transactions with related parties, which are not in normal course of business or are not on an arm's length basis. The statement in summary form of transactions with related parties in the ordinary course of business are placed periodically before the Audit Committee for its consideration and review. All disclosures related to financial and commercial transactions where directors were interested are provided to the Board and the interested directors do not participate in the discussion nor do they vote on such matters. The details of related party transactions during the year are given in the Notes to Accounts.

B. Disclosure of Accounting Treatment in preparation of Financial Statements

Bharat Gears Limited has followed the guidelines of accounting standards laid down by the Institute of Chartered Accountants of India (ICAI) in preparation of its financial statements.

C. Compliance by the Company

There were no instances of any non compliance by the Company nor any penalties, strictures imposed on the Company by stock exchanges or SEBI or any other statutory authority, on any matter related to the capital markets, during the last three years.

D. Whistle Blower

Though the Company has not laid down any whistle blower policy, however, the employees of the Company are given access to the Audit Committee to inform any unethical behavior.

E. Rights Issue

The Company came out with Rights Issue in the ratio of three equity shares for every ten equity shares to its existing shareholders.

A total 18,04,115 equity shares of face value of Rs.10 has been issued at a premium of Rs.30. Thus the Company raised Rs.721.65 lacs from the Rights Issue. A Rights Issue Committee was constituted to look after the compliances and other procedural matters of the issue. All pre and post issue compliances are duly complied with. Dr. Ram S. Tarneja, Mr. Surinder P. Kanwar, Mr. V.K. Pargal, Mr. Milind Pujari and Mr. Ashish Pandey were the members of the Committee. Total three (3) meetings of the Committee were held on 23rd May, 2006, 20th July, 2006, and 31st July, 2006. All five members of the Committee attended all the three (3) meetings of the Committee except Dr. Ram S. Tarneja who could not attend the meeting held on 20th July, 2006. After completion of the compliances of the Rights Issue, the Board in its meeting held on 19th October, 2006 dissolved the Committee and withdrew all the powers conferred on to it.

F. Remuneration Of Directors For 2006-2007

(Rs. in Lacs)

Name of Members	Sitting Fees	Salaries and Perquisites	Total
Mr. N J Kamath	0.44	Nil	0.44
Mr. J S Bhandari	0.10	Nil	0.10
Mr. V K Pargal	0.33	Nil	0.33
Dr. Ram S Tarneja	0.33	Nil	0.33
Sub Total (A)			1.20
Mr. Surinder P. Kanwar @	Nil	- Salary - Monetary value of perquisites - Contribution to provident and other funds	57.00 09.14 17.10
Mr. Sameer Kanwar #	Nil	- Salary & Allowances - Monetary value of perquisites - Contribution to provident and other funds	18.90 05.01 4.28
Sub Total (B)			111.43
Grand Total			112.63

*The remuneration exclude the provision for gratuity and leave encashment, which is made, based on the actuarial valuation for the Company on overall basis.

@The appointment and payment of remuneration to Mr. Surinder P. Kanwar has been approved in the Annual General Meeting held on 27th July, 2005 for a further period of five years with effect from 1st October, 2005 under the provision of Section 198, 269, 310, Schedule XIII and other applicable provisions of Companies Act, 1956. Regarding this, the Company obtained approval of Central Government vide letter reference no. 1/346/2005-CL.VII dated 9th May, 2006.

Mr. Sameer Kanwar has been re-appointed as Executive Director-Strategic Planning by the Board of Directors of the Company in its meeting held on 25th January, 2007, with effect from 1st February, 2007 for a period of three years. The remuneration was recommended by the Remuneration Committee and further approved by the Board of Directors. The re-appointment and payment of remuneration is subject to approval of shareholders in the forthcoming Annual General Meeting by way of Special Resolution. The remuneration

mentioned above includes Rs. 7.39 lacs being remuneration for the period 1st February, 2007 to 31st March, 2007.

There is no notice period or severance fee in respect of appointment of any of the above Managerial Personnel. Mr. Sameer Kanwar is not entitled for any performance linked incentives and the Company does not have any Stock Option Scheme.

G. Code of Conduct, Corporate Ethics and Social Responsibility

● Code of Business Conduct & Ethics

Bharat Gears Limited believes that Good Corporate Governance is the key to the Conduct of Company's Business in a transparent, reliable and vibrant manner. It is of paramount importance for any company to create an atmosphere of faith, integrity, accountability, responsibility and financial stability by adhering to commitment, ethical business conduct, a high degree of transparency thereby unlocking the individual intellectual capabilities and enabling its Board of Directors to conduct its duties under a moral authority, which ultimately leads to enhance legitimate needs and value of the stake holders. A copy of this code has been posted at Company's official website i.e. www.bharatgears.com.

● Code of Conduct for Prevention of Insider Trading

The Company has a comprehensive code of conduct for its management, staff and directors for prevention of insider trading. The Code lays down the guidelines and procedures to be followed and disclosures to be made while dealing with the shares of the Company and cautioning them on the consequences of non-compliances. The pieces of the price sensitive information are disseminated to the stock exchanges timely, adequately and promptly on continuous basis for prevention of insider trading. The company secretary has been appointed as compliance officer and is responsible for adherence to Code for prevention of insider trading. A copy of same has been posted at the official website of the Company i.e. www.bharatgears.com.

● Social Responsibility

Bharat Gears Limited has also contributed to society especially the needy persons in our special ways and through various NGOs. The Company has adopted safety, health, and environment (SHE) policy with a commitment to provide a safe and healthy working environment, preservation of the environment of the territory in which the organization operates, preventing the wasteful use of natural resources and minimize any hazardous impact of development, production, use and disposal of any of the organization products and services on ecological environment, maintained highest standard of environmental management and ensure for all its members, consultants, contractors and customers a safe and healthy environment, free from injury and disease. The other details of our contributions towards the society are available on Company's official website i.e. www.bharatgears.com

H. Mandatory Requirements

The Company has complied with all the mandatory requirements of Clause 49 of Listing Agreement entered into with stock exchanges. Details of compliances are given below:



Particulars	Clause of Listing Agreement	Compliance status
I. Board of directors	49(I)	Yes
(A) Composition of Board	49(IA)	Yes
(B) Non-executive directors compensation and disclosure	49(IB)	Yes
(C) Other as to Board and committees	49(IC)	Yes
(D) Code of Conduct	49(ID)	Yes
II. Audit Committee	49(II)	Yes
(A) Qualified and independent Audit Committee	49(IIA)	Yes
(B) Meeting of Audit Committee	49(IIB)	Yes
(C) Power of Audit Committee	49(IIC)	Yes
(D) Role of Audit Committee	49(IID)	Yes
(E) Review of information by Audit Committee	49(IIE)	Yes
III. Subsidiary Companies	49(III)	N.A
IV. Disclosures	49(IV)	Yes
(A) Basis of related party transaction	49(IVA)	Yes
(B) Disclosure of accounting treatment	49(IVB)	Yes
(C) Board disclosures	49(IVC)	Yes
(D) Proceed from public issues, right issues, preferential issues etc.	49(IVD)	Yes
(E) Remuneration of directors	49(IVE)	Yes
(F) Management	49(IVF)	Yes
(G) Shareholders	49(IVG)	Yes
V. CEO/CFO Certification	49(V)	Yes
VI. Report on Corporate Governance	49(VI)	Yes
VII. Compliance	49(VII)	Yes

I. Non-Mandatory Requirements

The Company has set up a Remuneration Committee, details whereof are given in the Board Committee section of this report.

J. Means of Communication

Newspapers and other communication media in which the Quarterly Results, Half Yearly Reports and Yearly Reports are published.

The Quarterly/ Half yearly and Annual financial results are normally published by the Company in 'The Financial Express' (English), Delhi and in 'Jansatta' (Hindi), Delhi. In addition to the above, the Quarterly/ Half yearly and the Annual financial results and official releases, if any, are also displayed on the Company's official website i.e. www.bhartgears.com for the information of all the shareholders. The half-yearly reports were not sent to the shareholders. The Company is registered under EDIFAR (Electronic Data Information Filing and Retrieval) site of SEBI www.sebi.gov.in. The Company has been posting online, the Quarterly/Half-yearly and Annual financial results, Shareholding pattern, alongwith full version of Corporate Governance Report, Annual Report and other requisite material information on www.sebiedifar.nic.in.

Further, any interviews given by Company Executives/ Management during the year are also displayed on the Company's official website i.e. www.bharatgears.com.

Besides the above, no other presentations were made to any institutional investor or to the analysts.

8. GENERAL SHAREHOLDERS' INFORMATION

A. Annual General Meeting Details:

The forthcoming AGM of the Company shall be held at 11.30 A.M on Thursday, the 26th Day of July, 2007 at Municipal Auditorium, N.I.T., Faridabad, Haryana – 121 001.

B. Financial Year:

Financial year of the Company commences on 1st April and ends on 31st March. The Four Quarters of the Company end on 30th June; 30th September; 31st December & 31st March respectively.

C. Date of Book Closure:

19th July, 2007 to 26th July, 2007 (both days inclusive)

D. Dividend Payment Date:

Not Applicable

E. Listing on Stock Exchanges and Stock Code:

The shares of the Company are listed on the following Stock exchanges:

- Bombay Stock Exchange Limited [BSE]
[Stock Code: 505688]
- National Stock Exchange of India Limited [NSE]
[Symbol: BHARATGEAR]

The Annual Listing Fees for the year 2007-2008 have been paid in advance to the aforesaid Stock Exchanges.

F. Market Price Data: High & Low Prices during each month of Financial Year 2006-2007 on National Stock Exchange of India Limited and Bombay Stock Exchange Limited are as under:

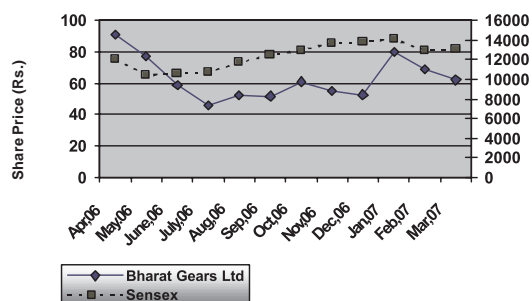
The Closing Price represent the price on the last trading days of each month of financial year 2006-2007.

Month	High (Rs.)		Low (Rs.)		Closing (Rs.)	
	NSE	BSE	NSE	BSE	NSE	BSE
April	106.00	108.00	86.30	86.05	91.65	91.05
May	109.65	110.80	67.10	66.45	77.40	77.10
June	77.50	78.90	47.40	46.75	59.45	58.85
July	61.85	61.50	43.95	43.80	45.75	46.10
August	67.10	66.80	43.00	42.10	52.70	52.40
September	54.40	54.50	48.40	48.00	51.95	51.75
October	64.95	64.60	49.00	48.20	61.15	60.95
November	62.90	62.45	50.00	51.00	55.00	55.20
December	57.00	57.60	46.25	46.75	53.20	52.65
January	79.65	79.95	48.10	53.90	79.65	79.95
February	83.65	83.90	65.30	66.00	69.50	69.05
March	71.50	69.90	56.70	57.10	62.25	62.05

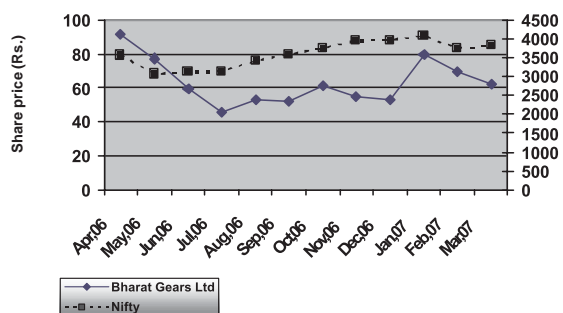
The graphical presentations of movement of share prices of the Company on BSE and NSE during the year are as under:

BHARAT GEARS LIMITED

a. BHARAT GEARS' PRICES VERSUS SENSITIVITY AT BSE



b. BHARAT GEARS' PRICES VERSUS S&P CNX NIFTY (Sensex)



G. Registrar and Transfer Agents, Share Transfer System:

M/s Intime Stractum Registry Limited is the Registrar and Transfer agents for handling both the share registry work relating to shares held in physical and electronic form at single point. All the Share Transfers were duly registered and returned in the normal course within stipulated period, if the documents were clear in all respects.

H. Shareholding pattern of the Company as per category of shareholders as on 31st March, 2007:

Shareholding Pattern Category	No. of Shares Held	%age of Share holding
A. Promoters' holding		
1. Promoters		
- Indian Promoters	*1139291	14.58
- Foreign Promoters	--	--
2. Persons acting in Concert	1413801	18.08
B. Non-Promoters Holding		
3. Institutional Investors		
a. Mutual Funds and Unit Trust of India	764739	9.78
b. Banks, Financial Institutions, Insurance Companies (Central/ State Govt. Institutions/ Non-Govt. Institutions)	296804	3.79
c. Foreign Institutional Investor	50	0.0006
4. Others		
a. Private Corporate Bodies	557822	7.13
b. Indian Public	2046444	26.18
c. Non Resident Indians/Overseas	35315	0.45
d. Any Other		
- Foreign Collaborator	*1563567	20.00
Total	7817833	100.00

*Mr. Surinder P. Kanwar, Chairman & Managing Director of the Company has acquired 15,63,567 equity shares, on 27th April, 2007 being entire shareholding from ZF Friedrichshafen AG, Germany, the erstwhile foreign collaborator of the Company. Consequently, the holding of Indian promoters and persons acting in concert has increased to 41,16,659 i.e. 52.66% of the total paid-up equity share capital of the Company.

I. Distribution of Shareholding as on 31st March, 2007:

No. of Equity shares held	Number of Share holders	Number of Shares	%age to total shares
Up to 250	7658	549160	7.13
251 to 500	906	346046	4.38
501 to 1000	427	331168	4.23
1001 to 2000	183	278197	3.55
2001 to 3000	47	121449	1.55
3001 to 4000	22	79703	1.01
4001 to 5000	19	89976	1.15
5001 to 10000	28	206329	2.63
10,001 and above	30	5815805	74.33
Total	9320	7817833	100.00

J. Dematerialization of Shares and liquidity:

The Company's equity shares are compulsorily traded in the Stock Exchanges in the dematerialized mode and are available for trading under both the Depository Systems in India – National Securities Depository Limited and Central Depository Services (India) Limited.

As on 31st March, 2007 a total of 59,29,658 equity shares of the Company of Rs. 10/- each, which form 75.85% of the paid-up equity share capital, stand dematerialized.

Outstanding ADRs/GDRs/ Warrants or any convertible instruments, conversion date and likely impact on equity: Not Applicable

K. Plant locations:

The Company's plants are located at the below mentioned addresses:

- M/s Bharat Gears Limited
Kausa Shil, Mumbra
Dist. Thane – 400 612
(Maharashtra)
- M/s Bharat Gears Limited
20 K.M, Mathura Road
P.O. Amar Nagar,
Faridabad – 121 003
(Haryana)

L. Addresses for Correspondence:

For Share transfer/ demat of shares or any other query relating to shares: -	For Investor assistance in any other matter:
1. M/s Intime Spectrum Registry Limited A-31, 3 rd Floor, Naraina Indl. Area Phase - I, Near PVR Naraina, New Delhi – 110 028 Phone No. 011-41410592-94, Fax-011-41410591 Email: delhi@intimespectrum.com	2. Mr. Ashish Pandey Group Head (Legal) & Company Secretary M/s. Bharat Gears Limited 20 K.M, Mathura Road, P O Amar Nagar, Faridabad – 121 003 Phone: 0129-2250406-16, Fax No. 0129-2250422-23 Email: ashishpandey@bglindia.com



M. Email for investors:

The Company has designated investor@bglindia.com as email address especially for investors' grievance(s). Alternatively, the investors can send their complaints/requests at bglfbd@vsnl.net.in

N. Nomination facility:

As per the provisions of Companies Act, 1956, the shareholders may avail nomination facility in respect of their shareholding. For the convenience of the shareholders, the nomination form is enclosed as the second last page of this Annual Report. The same may be sent duly filed in at the registered office of the Company addressed to the Company Secretary.

COMPLIANCE CERTIFICATE AS PER CLAUSE – 49(V) OF THE LISTING AGREEMENT

We have reviewed financial statements and the cash flow statement for the year 2006 – 2007 and that to the best of our knowledge and belief:

- 1) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.
- 2) These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations;
- 3) No transaction entered into by the Company during the above said period, which is fraudulent, illegal or violative of the Company's code of conduct.

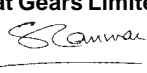
Further, we accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial statements and we have disclosed to the auditors and the Audit Committee, wherever applicable:

- 1) Deficiencies in the design or operation of internal controls, if any, which came to our notice and the steps we have taken or propose to take to rectify these deficiencies;
- 2) Significant changes in internal control over financial reporting during the year 2006 – 2007;
- 3) Significant changes in accounting policies during the year 2006 – 2007 and that the same have been disclosed in the notes to the financial statements;
- 4) Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

For Bharat Gears Limited

Place : Mumbai
Dated : May 16, 2007


Milind Pujari
Financial Controller


Surinder P. Kanwar
Chairman & Managing Director

COMPLIANCE WITH CODE OF CONDUCT

The Company has adopted "Code of Business Conduct & Ethics". This code deals with the 'Good Governance and ethical Practices', which the Board Members and the Senior Management of the Company are expected to follow.

O. Updation of Shareholders information:

The shareholders of the Company are requested to intimate their latest residential address along with the details of their shareholding in the enclosed form. The enclosed form may either be sent to the Company at its registered office or be hand-delivered at the Annual General Meeting of the Company.

On Behalf of the Board of Directors



Place : Mumbai
Dated : May 16, 2007

Surinder P. Kanwar
Chairman & Managing Director

It is hereby affirmed that during the year 2006-07, all the Directors and Senior Managerial personnel have complied with the Code of Conduct and have given a confirmation in this regard.

For Bharat Gears Limited



Place: Mumbai
Date: May 16, 2007

Ashish Pandey
Group Head (Legal) &
Company Secretary



Surinder P. Kanwar
Chairman & Managing Director

AUDITOR'S CERTIFICATE ON THE COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT

To

The Members of Bharat Gears Limited

We have examined compliance of conditions of Corporate Governance by Bharat Gears Limited, for the year ended on 31st March, 2007, as stipulated in clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

The compliances of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementation thereof, adopted by the Company for ensuing compliances with the conditions of Corporate Governance as stipulated in Clause 49 of the abovementioned Listing Agreement. It is neither an audit nor an expression of opinion on the financial statement of the Company.

In our opinion and to the best of our information and according to the explanation given to us, and the representations made by the directors and the management, we certify that the Company has complied in all material respects with the conditions of Corporate Governance as stipulated in clause 49 of the above-mentioned Listing Agreement .

We state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Date : May 16, 2007
Place: Mumbai

For **A.F. Ferguson & Co**
Chartered Accountants


U.M. NEOGI
Partner
(Membership No.: 30235)

AUDITOR'S REPORT TO THE MEMBERS OF BHARAT GEARS LIMITED

We have audited the attached Balance Sheet of Bharat Gears Limited as at 31st March, 2007 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to in paragraph 1 above, we report that:
 - (a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) in our opinion, proper books of account as required by law, have been kept by the Company so far as appears from our examination of those books;
 - (c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - (e) on the basis of written representations received from the directors, as on 31st March, 2007, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
 - (f) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2007;
- (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
- (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **A.F.Ferguson & Co.**
Chartered Accountants



U.M.NEOGI

Partner

(Membership No.30235)

Place : Mumbai
Date : May 16, 2007



ANNEXURE REFERRED TO IN PARAGRAPH 1 OF THE AUDITOR'S REPORT TO THE MEMBERS OF BHARAT GEARS LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2007.

- (i) (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The Company has a programme of physical verification of fixed assets. As per the said programme, certain assets were physically verified during the year. According to the information and explanations given to us, no material discrepancies were noticed on such verification. In our opinion, having regard to the size of the Company and the nature of its assets, the programme of verification of fixed asset of the Company is reasonable.
- (c) Since there is no disposal of substantial part of fixed assets during the year, paragraph 4(i)(c) of the Companies (Auditors' Report) Order, 2003 (hereinafter referred to as the Order) is not applicable.
- (ii) (a) The inventories, except for stocks lying with third parties where certificates confirming stocks have been received in respect of most of the stocks held, have been physically verified by the management during the year at reasonable intervals.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) On the basis of our examination of the records of inventory, we are of the opinion that the Company is maintaining proper records of inventory. According to the information and explanations given to us, no material discrepancies were noticed on physical verification between the physical stock and the book records.
- (iii) (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956 (the Act). Accordingly, clauses (iii)(b) to (iii)(d) of paragraph 4 of the Order are not applicable to the Company for the current year.
- (b) In an earlier year, the Company had taken interest free unsecured loan of Rs.45 lacs from a company and Rs. 55.16 lacs from a party (Director) listed in the register maintained under Section 301 of the Act. The maximum amount involved during the year was Rs.100.16 lacs and the year-end balance of these loans was Rs. NIL.
- (c) In our opinion, terms and conditions of the above loans were not, prima facie, prejudicial to the interest of the Company.
- (d) In respect of the loans referred to above, although the principal amounts were not due for repayment during the year, the same have been adjusted against the consideration payable by the parties towards subscription to Rights issue of shares, in terms of the Letter of Offer.
- (iv) In our opinion and according to the information and explanations given to us, having regard to the explanation that some of the items are of a special nature and comparable alternative quotations are not available, there are adequate internal control systems commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- (v) (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements that need to be entered into the register maintained under Section 301 of the Act have been so entered.
- (b) In our opinion and according to the information and explanations given to us, having regard to the explanation that purchases of certain items are of specialised nature and comparable alternative quotations are not available, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Act and exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- (vi) As the Company has not accepted any deposits from the public, paragraph 4(vi) of the Order is not applicable.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and the nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Act. We are of the opinion that prima facie the prescribed accounts and records have been made and are being maintained. We are not required and accordingly have not made a detailed examination of the records maintained.
- (ix) (a) (i) According to the information and explanations given to us and according to the records of the Company, the Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, tax deducted at source, tax collected at source, wealth tax, sales tax, value added tax, fringe benefit tax, custom duty, excise duty, service tax, octroi charges, property tax, water tax, license fees, works contract tax, cess and other material statutory dues applicable to it.

BHARAT GEARS LIMITED

(ii) According to the information and explanations given to us, no undisputed amounts in respect of the statutory dues referred to above were outstanding as at 31st March, 2007 for a period of more than six months from the date they became payable.

(b) As explained to us and according to the records of the Company, the following dues as at the year end of income tax/ sales tax/ value added tax/ service tax/ custom duty / wealth tax/ excise duty/ cess have not been deposited on account of any dispute:

Name of the Statute	Nature of Dues	Amount of tax (Rs.)	Period to which the amount relates	Forum where dispute is pending
West Bengal Sales Tax Act, 1994	Sales Tax (including Penalty) on free of cost material	335,854	2003-04	Deputy Commissioner (Appeals) Commercial Taxes
Kerala General Sales Tax Act, 1963	Sales Tax on Branch transfer	130,291	2003-04	Deputy Commissioner (Appeals), Commercial Taxes

(xviii) According to the information and explanations given to us, the Company has not made any preferential allotment of shares during the year to parties and Companies covered in the register maintained under Section 301 of the Act.

(xix) Since the Company has not issued any debentures during the year, paragraph 4(xix) of the Order is not applicable.

(xx) The management has disclosed the end use of money raised by rights issue (Refer note 27 of Schedule 19) and the same has been verified by us.

(xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

For **A. F. Ferguson & Co.**
Chartered Accountants



U.M. NEOGI
Partner

Place : Mumbai
Date : May 16, 2007

(Membership No.30235)

(x) In our opinion, the accumulated losses of the Company are not more than fifty percent of its net worth. The Company has not incurred any cash losses during the financial year covered by our audit and in the immediately preceding financial year.

(xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions or banks.

(xii) Since the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities, paragraph 4(xii) of the Order is not applicable.

(xiii) As the Company is not a chit fund/ nidhi / mutual benefit fund / society, paragraph 4(xiii) of the Order is not applicable.

(xiv) Since the Company is not dealing or trading in shares, securities, debentures and other investments, paragraph 4(xiv) of the Order is not applicable.

(xv) In our opinion, the terms and conditions on which the Company has given guarantees for loans taken by employees from financial institutions are not prejudicial to the interest of the Company.

(xvi) In our opinion, the term loans have been applied for the purpose for which they were raised.

(xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long term investments.



BHARAT GEARS LIMITED
BALANCE SHEET AS AT 31ST MARCH, 2007

	Schedule	As at 31st March, 2007 Rs. lacs	As at 31st March, 2006 Rs. lacs
I. Sources of funds :			
(1) SHAREHOLDERS' FUNDS			
Share capital	1	990.28	959.87
Reserves and surplus	2	2944.14	1538.62
		<u>3934.42</u>	<u>2498.49</u>
(2) LOAN FUNDS			
Secured loans	3	6539.81	7567.32
Unsecured loans	4	-	100.16
Finance lease obligations		140.48	61.68
		<u>6680.29</u>	<u>7729.16</u>
(3) DEFERRED TAX LIABILITIES (Note 21 of Schedule 19)			
		<u>820.61</u>	<u>960.71</u>
	Total	<u>11435.32</u>	<u>11188.36</u>
II. Application of funds :			
(1) FIXED ASSETS			
Gross block	5	17656.15	16494.97
Less : Depreciation		11201.86	10241.76
Net block		6454.29	6253.21
Capital work in progress		360.12	668.25
Advances on capital account		4.37	11.26
		<u>6818.78</u>	<u>6932.72</u>
(2) DEFERRED TAX ASSETS (Note 21 of Schedule 19)			
		<u>662.30</u>	<u>960.71</u>
(3) CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	6	3110.60	2385.87
Sundry debtors	7	4933.46	3603.97
Cash and bank balances	8	428.56	563.16
Other current assets	9	99.31	112.12
Loans and advances	10	964.91	847.34
		<u>9536.84</u>	<u>7512.46</u>
Less : CURRENT LIABILITIES AND PROVISIONS			
Current liabilities	11	5222.71	4097.33
Provisions	12	475.87	281.17
		<u>5698.58</u>	<u>4378.50</u>
Net current assets		<u>3838.26</u>	<u>3133.96</u>
(4) MISCELLANEOUS EXPENDITURE			
(To the extent not written off or adjusted)		<u>115.98</u>	<u>160.97</u>
(Note 16 of Schedule 19)			
	Total	<u>11435.32</u>	<u>11188.36</u>
NOTES :	19	-	

Per our report attached
For A.F. FERGUSON & CO.
Chartered Accountants

U.M.NEOGI
Partner

Place : Mumbai
Date : May 16, 2007

SURINDER P. KANWAR
Chairman and Managing Director

ASHISH PANDEY
Group Head (Legal) &
Company Secretary

Place : Mumbai
Date : May 16, 2007

SAMEER KANWAR
Executive Director -Strategic Planning

MILIND PUJARI
Financial Controller

RAM S. TARNEJA
W. R. SCHILHA
N.J. KAMATH
V.K. PARGAL
S. G. AWASTHI
RAKESH CHOPRA
Directors

BHARAT GEARS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

	Schedule	Year Ended 31st March, 2007	Year Ended 31st March, 2006
		<u>Rs. lacs</u>	<u>Rs. lacs</u>
Sales including processing charges (gross)		22543.37	18695.82
Less : Excise duty		<u>2845.35</u>	<u>2346.58</u>
Sales including processing charges (net)		19698.02	16349.24
Other income	13	<u>699.73</u>	419.93
TOTAL INCOME		<u>20397.75</u>	<u>16769.17</u>
EXPENDITURE			
Cost of materials	14	7385.62	6433.52
Payments to and provisions for employees	15	3442.39	2922.80
Other expenses	16	6422.95	5027.28
Interest and other financing charges	17	966.41	969.86
Depreciation	18	<u>1008.88</u>	<u>928.70</u>
PROFIT BEFORE TAX		1171.50	487.01
Provision for tax			
- Current tax		130.00	33.00
- Deferred tax (net)		158.31	-
- Fringe benefit tax (FBT)		24.00	56.00
- Excess provision for FBT in respect of previous year written back		<u>(19.34)</u>	-
		<u>292.97</u>	<u>89.00</u>
PROFIT AFTER TAX		878.53	398.01
Add: Balance brought forward from the previous year		<u>(1303.24)</u>	<u>(1701.25)</u>
Balance carried to Balance Sheet		<u>(424.71)</u>	<u>(1303.24)</u>
Basic and diluted earnings per share (in Rs.)		11.43	5.60
(Note 20 of Schedule 19)			

NOTES 19

Per our report attached
For **A.F. FERGUSON & CO.**
Chartered Accountants

U.M.NEOGI
Partner

Place : Mumbai
Date : May 16, 2007

SURINDER P. KANWAR
Chairman and Managing Director

ASHISH PANDEY
*Group Head (Legal) &
Company Secretary*

Place : Mumbai
Date : May 16, 2007

SAMEER KANWAR
Executive Director -Strategic Planning

MILIND PUJARI
Financial Controller

RAM S. TARNEJA
W. R. SCHILHA
N.J. KAMATH
V.K. PARGAL
S. G. AWASTHI
RAKESH CHOPRA
Directors



CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007

	For the year ended 31st March, 2007 (Rs.Lacs)	For the year ended 31st March, 2006 (Rs.Lacs)
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net profit before tax	1171.50	487.01
Adjustments for :		
- Depreciation	1008.88	928.70
- Waiver of Term Loan and interest accrued thereon	(256.08)	-
- Unrealised exchange loss (net)	8.50	14.06
- Profit on sale of fixed assets(net)	(5.34)	(4.34)
- Interest income	(22.44)	(12.92)
- Lease rent	-	11.21
- Interest and bill discounting charges	904.92	920.86
Operating profit before working capital changes	2809.94	2344.58
Adjustments for :		
- Inventories	(724.73)	(349.21)
- Trade and other receivables	(1543.22)	(298.12)
- Trade and other payables/Provisions	1449.73	581.82
- Miscellaneous expenditure	44.99	6.05
Cash generated from operations	2036.71	2285.12
- Income taxes including Fringe Benefit Tax paid (net of refunds)	(55.89)	(124.29)
Net cash from operating activities	1980.82	2160.83
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of fixed assets	(976.57)	(1097.45)
Sale of fixed assets	12.09	23.14
Interest received {inclusive of tax deducted at source Rs. 3.58 lacs ; (previous year: Rs 2.04 lacs)}	24.25	10.68
Fixed Deposits with bank not readily convertible in cash (Net)	13.31	(75.00)
Net cash used in investing activities	(926.92)	(1138.63)
C. CASH FLOW FROM FINANCING ACTIVITIES :		
Proceeds from long term borrowings	300.00	38.76
Repayment of long term borrowings	(1044.39)	(319.69)
Proceeds,including premium, from Rights issue of shares (Note 2)	721.65	-
Repayment of unsecured loans (Note 2)	(100.16)	-
Repayment of preference shares	(150.00)	-
Increase / (Decrease) in cash credits and packing credits	(56.95)	94.88
Payment of dividend etc.to Investor Education and Protection Fund	(1.34)	(3.82)
Lease rent paid	(19.99)	(19.40)
Interest and bill discounting charges paid	(824.01)	(829.45)
Net cash used in financing activities	(1175.19)	(1038.72)
Net decrease in cash & cash equivalents (A+B+C)	(121.29)	(16.52)
Cash & cash equivalents at the beginning of the year.	450.16	466.68
Cash and cash equivalents at the end of the year.(see note 3)	328.87	450.16
	(121.29)	(16.52)

Notes :

- The cash flow is based on and derived from the accounts of the company for the year ended 31st March, 2007 and 31st March, 2006.
- Repayment of unsecured loans represents and proceeds (including premium) from Rights issue of shares includes Rs.100.16 lacs being adjustment of loans against consideration of the rights issue of shares referred to in Note 27 of Schedule 19 to the accounts.
- Cash and cash equivalents comprise of :

Cash in hand	4.66	5.42
Cheques in hand	19.88	110.83
With scheduled banks :		
On current accounts	164.40	211.71
On margin accounts	139.93	121.20
On fixed deposit accounts	99.69	114.00
	428.56	563.16
Less : Fixed deposits with bank not readily convertible in cash	99.69	113.00
Cash and cash equivalents at the end of the year	328.87	450.16

- The previous year's figures have been regrouped wherever necessary.

Per our report attached
For **A.F. FERGUSON & CO.**
Chartered Accountants

SURINDER P. KANWAR
Chairman and Managing Director

SAMEER KANWAR
Executive Director -Strategic Planning

RAM S. TARNEJA
W. R. SCHILHA
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V.K. PARGAL
S. G. AWASTHI
RAKESH CHOPRA
Directors

U.M.NEOGI
Partner

ASHISH PANDEY
Group Head (Legal) &
Company Secretary

MILIND PUJARI
Financial Controller

Place : Mumbai
Date : May 16, 2007

Place : Mumbai
Date : May 16, 2007

BHARAT GEARS LIMITED

SCHEDULES ANNEXED TO THE ACCOUNT

(1) SHARE CAPITAL	As at 31st March, 2007 Rs. lacs	As at 31st March, 2006 Rs. lacs
Authorised		
1,00,00,000 Equity shares of Rs.10 each	1000.00	1000.00
15,00,000 Cumulative redeemable convertible or non-convertible preference shares of Rs.100 each	1500.00	1500.00
	2500.00	2500.00
Issued and Subscribed		
78,17,833 (Previous Year : 60,13,718) Equity shares of Rs.10 each fully paid up (Refer note 1 below) [Of the above 28,750 equity shares have been issued pursuant to the scheme of amalgamation of the erstwhile Universal Steel & Alloys Limited (USAL) with the company]	781.78	601.37
- (Previous Year : 1,50,000) 10% Cumulative redeemable non - convertible preference shares of Rs. 100 each, fully paid up (Refer note 2 below)	-	150.00
2,08,500 10% Cumulative redeemable non - convertible preference shares of Rs.100 each, fully paid up [Issued pursuant to a Corporate Debt Restructuring scheme] (Refer note 3 below)	208.50	208.50
	990.28	959.87

Notes :

1. 18,04,115 equity shares were issued during the year on Rights basis to the existing shareholders of the company in the ratio of 3 equity shares for every 10 equity shares held. (Refer note 27 of Schedule 19)
2. Series IV and Series V 10% Cumulative redeemable non-convertible preference shares of Rs. 75 lacs each which were redeemable at par on 1st March, 2006 and 1st September, 2004 respectively, and rolled over to 1st September, 2006 with the consent of holders of these shares, were redeemed on 1st September, 2006 (Refer note 27 of Schedule 19).
3. Series VI, VII & VIII aggregating Rs.208.50 lacs were allotted on 29th September, 2003 in respect of the present value of 50% of the differential interest on account of reduction in interest rate on the term loans as per the Corporate Debt Restructuring scheme and are redeemable at par in two equal annual installments on 31st March,2011 and 31st March, 2012.

(2) RESERVES AND SURPLUS

Capital redemption reserve Per last balance sheet	380.00	380.00
Securities premium account Per last balance sheet	383.37	383.37
Add : Premium received during the year. (Refer note 27 of Schedule 19)	541.23	-
	924.60	383.37
Revaluation reserve Per last balance sheet	723.57	737.81
Less : Transferred to profit and loss account, being depreciation on amount added on revaluation of fixed assets (Schedule 18)	14.24	14.24
	709.33	723.57
General reserve Per last balance sheet	1354.92	1354.92
Less : Debit balance in profit and loss account	424.71	1303.24
	930.22	51.68
	2944.14	1538.62



(3) SECURED LOANS	As at 31st March, 2007 Rs.lacs	As at 31st March, 2006 Rs.lacs
From Banks :		
Cash credits (including funded interest thereon) and packing credits (note 1 below)	2087.16	2199.81
Rupee loan from The Federal Bank Limited (notes 2, 7 & 8 below)	265.96	321.52
Rupee loan from The Federal Bank Limited (notes 2 & 8 below)	49.71	58.50
Rupee loan from State Bank of India (notes 2 & 8 below)	105.49	126.92
Rupee loan from State Bank of India (note 6 below)	277.97	-
Rupee loan from Indian Overseas Bank (notes 2 & 8 below)	52.98	62.66
Rupee loan from The Federal Bank Limited (notes 3 below)	710.45	871.01
Rupee loan from Bank of Baroda (notes 2 & 8 below)	77.17	90.78
Rupee loan from Industrial Development Bank of India Limited (note 3 below)	1189.53	1491.51
Rupee loan from Industrial Development Bank of India Limited (note 5 below)	429.01	530.12
Rupee loan from Industrial Development Bank of India Limited (notes 2 & 8 below)	318.73	390.49
Vehicle loans from ICICI Bank Ltd. (note 4 below)	35.47	45.81
	<u>5599.63</u>	<u>6189.13</u>
From Others :		
Foreign Currency loan from Export-Import Bank of India (note 3 below)	782.63	970.73
Foreign Currency loan from Export-Import Bank of India (notes 2 & 8 below)	157.55	191.22
Foreign Currency loan from ZF Friedrichshafen AG (note 9 below)	-	216.24
	<u>940.18</u>	<u>1378.19</u>
	<u>6539.81</u>	<u>7567.32</u>

Notes :

- Cash credits (including funded interest thereon) and packing credits from banks are secured by hypothecation of stocks of raw materials, stock in process, semi finished and finished goods, loose tools, general stores and book debts and all other moveables both present and future and by joint mortgage created for all immoveable properties of the Company located at Mumbra and Faridabad which rank second subject and subservient to charges created in favour of loans referred to in notes 2, 3, 5 and 6.
- Rupee loans from The Federal Bank Limited, State Bank of India, Indian Overseas Bank, Bank of Baroda, Industrial Development Bank of India Limited and Foreign currency loan from Export Import Bank of India are secured by first mortgage and charge created on the immoveable and moveable assets at Mumbra unit, on parri passu basis with loans referred to in note 5 .
- Rupee loans from The Federal Bank Limited, Industrial Development Bank of India Limited and Foreign currency loan from Export Import Bank of India are secured by way of joint mortgage of land at Faridabad plant together with all buildings and structures thereon and all plant & machinery attached to the earth and by way of hypothecation of all moveable fixed assets at Faridabad plant ranking parri passu with each other.
- Secured against the hypothecation of respective vehicles.
- Rupee loan from Industrial Development Bank of India Limited is secured by mortgage of immoveable properties and hypothecation of moveable fixed assets located at Mumbra plant, both present & future, which ranks parri passu with charges created in respect of loans referred to in note 2.
- Rupee loan from State Bank of India is secured by a first charge by way of hypothecation of specific plant & machinery purchased out of the loan.
- Rupee loan from The Federal Bank Limited is also secured by mortgage of company's office premises at Nariman Point, Mumbai.
- Rupee loans referred to in note 2 are also guaranteed by a Director of the Company aggregating Rs.1027.59 lacs (previous year: Rs.1242.09 lacs) (from banks: Rs.870.04 lacs; (previous year: Rs.1050.87 lacs) from others: Rs.157.55 lacs; (previous year: Rs 191.22 lacs)).
- Foreign Currency loan from ZF Freidrichshafen was secured by charge created on specific assets located at Faridabad plant which ranked subordinate and subservient to charges created in respect of the loans referred to in notes 1 & 3.

BHARAT GEARS LIMITED

	As at 31st March, 2007 Rs.lacs	As at 31st March, 2006 Rs.lacs
(4) UNSECURED LOANS		
Other than short term		
From Director	-	55.16
From others	-	45.00
	-	100.16

(5) FIXED ASSETS (Rs.in lacs)

Assets	Gross Block				Depreciation				Net Block	
	As at 31.03.2006	Additions	Deductions/ Adjustments	As at 31.03.2007	Upto 31.03.2006	For the year	On Deductions/ Adjustments	Upto 31.03.2007	As at 31.03.2007	As at 31.03.2006
1. Tangible Assets:										
Land - Freehold	139.43	-	-	(*) 139.43	-	-	-	-	139.43	139.43
Land - Leasehold (@)	581.40	-	-	(*) 581.40	62.56	7.82	-	70.38	511.02	518.84
Buildings and roads	1704.93	4.75	-	(*) 1709.68 (**)	623.15	48.14	-	671.29	1038.39	1081.78
Leasehold improvements	1.77	-	-	1.77	1.68	-	-	1.68	0.09	0.09
Plant and machinery	12805.68	975.86	57.59	13723.95	8763.86	863.34	53.72	9573.48	4150.47	4041.82
Electrical installations	326.47	10.52	0.11	336.88	133.12	20.59	0.04	153.67	183.21	193.35
Water supply installations	75.06	-	-	75.06	27.40	3.64	-	31.04	44.02	47.66
Furniture and fixtures	153.35	2.47	-	155.82	127.53	5.22	-	132.75	23.07	25.82
Computers, office and miscellaneous equipment	522.65	70.03	4.94	587.74	432.49	32.14	3.96	460.67	127.07	90.16
Vehicles	112.19	-	7.13	105.06	62.69	11.73	5.30	69.12	35.94	49.50
Assets acquired under finance lease										
Plant and machinery	53.94	98.79	-	152.73	2.06	11.18	-	13.24	139.49	51.88
Vehicles	18.10	-	-	18.10	5.22	3.33	-	8.55	9.55	12.88
2. Intangible Assets:										
Computer Software - acquired	-	68.53	-	68.53	-	15.99	-	15.99	52.54	-
	16494.97	1230.95	69.77	17656.15	10241.76	1023.12	63.02	11201.86	6454.29	
As at 31st March 2006	15796.68	812.84	114.55	16494.97	9385.65	942.94	86.83	10241.76		6253.21
Capital work-in-progress									360.12	668.25
Advances on capital account									4.37	11.26
									364.49	679.51
									6818.78	6932.72

(*) Includes amounts added on revaluation carried out by an approved valuer. (see table below)

	on 31.7.84	(#) on 30.04.85	(#) on 25.11.97	Total
Land	117.48	92.99	488.41	698.88
Buildings & roads	147.25	93.20	51.13	291.58
	264.73	186.19	539.54	990.46

Basis of revaluation : Current cost accounting Not Available Replacement cost/Current cost Accounting

(#) Relating to the erstwhile USAL

** 'Buildings' include 10 shares of Rs.50/- each in Venkatesh Premises Co-operative Society Ltd. - Total Rs.500/- (previous year: Rs.500/-)

(@) Is in the name of erstwhile USAL. The company is in the process of getting it transferred in its name.

	As at 31st March, 2007 Rs.lacs	As at 31st March, 2006 Rs.lacs
(6) INVENTORIES		
Stores and spare parts	330.12	280.41
Loose tools	482.96	476.24
Stock-in-trade		
Raw materials and components	632.26	354.03
Finished goods - manufactured	513.27	349.75
Finished goods - traded	74.34	13.45
Work in progress	1075.65	910.36
Scrap	2.00	1.63
	3110.60	2385.87



	As at 31st March, 2007 Rs. lacs	As at 31st March, 2006 Rs. lacs
(7) SUNDRY DEBTORS (UNSECURED & CONSIDERED GOOD UNLESS OTHERWISE STATED)		
Debts outstanding for a period exceeding six months		
-Doubtful	18.93	9.59
-Others	<u>59.90</u>	<u>80.38</u>
Other debts	<u>4873.56</u>	<u>3523.59</u>
	<u>4952.39</u>	<u>3613.56</u>
Less : Provision for doubtful debts	<u>18.93</u>	<u>9.59</u>
	<u><u>4933.46</u></u>	<u><u>3603.97</u></u>
(8) CASH AND BANK BALANCES		
Cash on hand	4.66	5.42
Cheques on hand	19.88	110.83
With scheduled banks :		
On current accounts [include Rs.0.13 lacs(previous year : Rs.Nil) being unclaimed rights issue application money refundable to shareholders]	164.40	211.71
On margin accounts	139.93	121.20
On fixed deposit accounts	99.69	114.00
[Includes deposits the receipts for which, are held by Industrial Development Bank of India Limited towards outstanding dividends on preference shares, Rs.99.69 lacs (previous year : Rs.38 lacs) and, redemption of Series IV 10% Cumulative redeemable non-convertible preference shares, Rs. Nil (previous year : Rs.75 lacs)]	<u>428.56</u>	<u>563.16</u>
	<u><u>428.56</u></u>	<u><u>563.16</u></u>
9) OTHER CURRENT ASSETS		
Interest receivable on term deposits with banks etc.	3.96	5.43
Export incentive receivable	<u>95.35</u>	<u>106.69</u>
	<u>99.31</u>	<u>112.12</u>
(10) LOANS AND ADVANCES		
UNSECURED AND CONSIDERED GOOD :		
Advances recoverable in cash or in kind or for value to be received	661.90	587.18
Security deposits	92.18	82.90
Balances with excise authorities, etc.	99.55	49.52
Income-tax payments less provisions	76.94	123.74
Fringe benefit tax payments less provisions	<u>34.34</u>	<u>4.00</u>
	<u>964.91</u>	<u>847.34</u>
(11) CURRENT LIABILITIES		
Acceptances	1011.74	854.70
Sundry Creditors		
-due to small scale industrial undertakings	172.26	115.71
-others	3073.65	2386.89
Customers advances and credit balances	788.94	556.67
Security deposits	14.08	10.58
Investor Education and Protection Fund*		
(a) Unpaid dividends	0.82	2.10
(b) Unpaid interest accrued on fixed deposits	0.08	0.14
(c) Unpaid rights issue share application money	<u>0.13</u>	<u>-</u>
	1.03	2.24
Other current liabilities	142.22	121.36
Interest accrued but not due on loans	<u>18.79</u>	<u>49.18</u>
	<u>5222.71</u>	<u>4097.33</u>

*The figures reflect the position as at the year end. The actual amount to be transferred to the Investor Education and Protection Fund in this respect shall be determined on the due date.

BHARAT GEARS LIMITED

(12) PROVISIONS	As at 31st March, 2007 Rs. lacs	As at 31st March, 2006 Rs. lacs
Provision for income tax less payment	62.31	-
Provision for Leave Encashment	336.90	274.75
Provision for Gratuity	70.84	-
Others	5.82	6.42
	475.87	281.17

(13) OTHER INCOME	Year Ended 31st March, 2007 Rs.lacs	Year Ended 31st March, 2006 Rs.lacs
Export incentives	59.42	64.17
Interest -on security deposits,deposits with banks, income tax refunds etc. (Tax deducted at source on interest received Rs. 3.58 lacs; previous year : Rs.2.04 lacs)	22.44	12.92
Income from scrap (net of excise duty Rs. 33.47 lacs; previous year : Rs. 27.62 lacs)	219.99	181.79
Rent	1.26	0.66
Credit balances no longer payable written back	13.82	15.10
Waiver of Term Loan and interest accrued thereon (Refer note 28 of Schedule 19)	256.08	-
Profit on sale of fixed assets	7.78	9.05
Miscellaneous income	118.94	136.24
	699.73	419.93

(14) COST OF MATERIALS		
Raw materials and components consumed	7392.15	6309.18
Purchase of Finished goods	383.17	216.37
Increase in stock of Finished Goods and Work in progress		
Opening stock :		
Finished goods - manufactured	349.75	435.73
Finished goods - traded	13.45	4.91
Work in progress	910.36	740.89
	1273.56	1181.53
Less: Closing Stock		
Finished goods - manufactured	513.27	349.75
Finished goods - traded	74.34	13.45
Work in progress	1075.65	910.36
	1663.26	1273.56
	(389.70)	(92.03)
	7385.62	6433.52

(15) PAYMENTS TO AND PROVISIONS FOR EMPLOYEES		
Salaries, wages and bonus	2769.01	2318.90
Contribution to provident, superannuation, gratuity and other funds	333.15	276.83
Employees' welfare expenses	340.23	327.07
	3442.39	2922.80



(16) OTHER EXPENSES	Year Ended 31st March, 2007 Rs.lacs	Year Ended 31st March, 2006 Rs.lacs
Stores,spares & packing materials consumed (Net of recoveries Rs.4.27 lacs; previous year : Rs.3.90 lacs)	1233.35	867.50
Loose tools consumed	568.37	576.32
Processing charges	986.64	620.30
Power and fuel	2007.63	1578.21
Repairs and maintenance		
- machinery	204.47	214.10
- buildings	56.32	48.58
- others	205.76	167.49
Travelling, conveyance and car expenses	210.03	196.57
Insurance	43.18	43.47
Rent	30.64	39.52
Rates and taxes	74.78	77.01
Freight , forwarding and other charges	245.01	194.68
Commission to selling agents	44.28	39.94
Excise duty (Refer Note 25 to Schedule-20)	39.66	(2.47)
Miscellaneous expenses (Includes loss on sale / write off of fixed assets Rs.2.44 lacs; previous year : Rs.4.71 lacs)	472.83	366.06
	<u>6422.95</u>	<u>5027.28</u>
(17) INTEREST AND OTHER FINANCING CHARGES		
Interest on fixed period loans	578.90	646.12
Other interest and bill discounting charges	326.02	274.74
Bank and other financing charges	61.49	49.00
	<u>966.41</u>	<u>969.86</u>
(18) DEPRECIATION		
For the year	1023.12	942.94
Less : Transferred from revaluation reserve, being depreciation on amount added on revaluation of fixed assets (Schedule 2)	14.24	14.24
	<u>1008.88</u>	<u>928.70</u>

(19) NOTES:**1. SIGNIFICANT ACCOUNTING POLICIES.**

i) Basis of Accounting:

The financial statements are prepared under the historical cost convention on an accrual basis except for the revalued fixed assets as stated in (ii) below.

ii) Fixed assets and depreciation:

Fixed assets are stated at cost of acquisition or construction or at revalued amounts less accumulated depreciation. Cost comprises of purchase / acquisition price, import duties, taxes and any directly attributed cost of bringing the asset to its working condition for its intended use. Financing cost on borrowings for acquisition or construction of fixed assets, for the period upto the date of acquisition of fixed assets or when the assets are ready to be put to use / the date of commencement of commercial production, is included in the cost of fixed assets.

Assessment of indication of impairment of an asset is made at the year-end and impairment loss, if any, is recognized.

Depreciation is provided on the basis stated hereunder:

(a) Tangible assets

The company provides for depreciation on tangible fixed assets to write off 95% of the cost either on written down value method or straight line method (SLM) in the manner and at the rates prescribed in Schedule XIV to the Companies Act, 1956 except for certain assets acquired prior to 1.8.86, as below: -

		<u>Rate %</u>
Factory Buildings and roads	SLM	1.61/3.28

Depreciation on revalued amounts is transferred from revaluation reserve to the profit and loss account.

Leasehold land is amortised over the remaining period of lease.

(b) Intangible assets

Intangible assets (i.e. computer software) are amortised on written down value basis at the rate of 40%.

iii) Inventories:

Inventories are valued at the lower of cost and net realisable value, except for scrap which is valued at net realisable value.

Cost comprises of material cost and expenditure incurred in normal course of business in bringing inventories to its location and includes, where applicable, appropriate overheads.

Material cost, other than those of traded goods which is on specific identification basis, is arrived at on weighted average basis.

iv) Contracts for furnace construction:

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

v) Foreign Currency Transactions:

Foreign currency transactions during the year are recorded at the rate of exchange prevailing at the date of transaction. All foreign currency monetary items outstanding at the year end are translated at year end exchange rates. Exchange gains or losses realised and arising due to translations of long-term loans/ liabilities relating to acquisition of imported fixed assets are treated as adjustments to the carrying cost of such fixed assets. All other exchange differences are accounted for in the profit and loss account except in case of transactions covered by forward exchange contracts where premium or discounts are amortised as expense or income over the life of the contract.

vi) Revenue recognition:

Sales/ Processing charges of Automotive Gears & Gearboxes are accounted on the basis of actual despatches to the customers. Sales are net of sales tax / value added tax and trade discounts.

Revenue from contracts for construction of furnaces is recognised on the percentage of completion method based on the stage of completion determined with reference to the contract costs incurred upto the year end and the estimated total costs of the contracts.

Net income, if any, from development of tools is recognised as income as and when the tools are sold in terms of respective contracts/ supply under the contract is completed/ on the expiry of commercially useful life of tools/ on expiry of five years from completion of development, whichever is earliest.

vii) Amortisation of Miscellaneous Expenditure:

Payments made to employees who left under Voluntary Retirement Scheme / Early Retirement Scheme on or before March 31, 2006, are amortised over a period of 5 years from the year in which the liability accrues. Payments made to employees who left on or after April 01, 2006 under Voluntary Retirement Scheme are charged off in the year in which the liability accrues.

Share issues expenses are amortised over a period of 5 years from the year in which the shares are issued.



viii) Retirement benefits:

The Company has various schemes of retirement benefits such as Provident Fund, Superannuation Fund and Gratuity Fund duly recognised by Income Tax authorities and the Company's contributions (in case of gratuity as determined by the Life Insurance Corporation of India) are charged against revenue every year. Provision for leave encashment is made on the basis of actuarial valuation done based on the data as at 1st January by an independent actuary.

ix) Taxation:

Current tax is determined as the amount of tax payable in respect of taxable income for the period.

Deferred tax is calculated at current statutory income tax rate and is recognised, subject to the consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

Deferred tax assets are recognised on unabsorbed depreciation and carry forward of losses only to the extent that there are timing differences, the reversal of which will result in sufficient income or there is virtual certainty that sufficient taxable income will be available against which such deferred tax assets can be realised. The carrying amount of deferred tax assets is reviewed at each Balance Sheet date.

Minimum Alternative Tax (MAT) credit asset are recognized only when and to the extent there is convincing evidence that the Company will pay normal Income Tax during the specified period. The carrying amount of MAT credit asset is reviewed at each Balance Sheet date.

x) Contingencies/Provisions:

Provision is recognised when the Company has a present obligation as a result of past event; it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate of the expenditure required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimate. A contingent liability is disclosed, unless the possibility of an outflow of resources embodying the economic benefit is remote.

2. i) The amount of net exchange difference included in the profit and loss account for the year - Rs. 2.27 lacs (gain); {previous year: Rs.13.11 lacs (loss)}.
- ii) The amount of net exchange loss, which has been added to the cost of relevant plant and machinery, is Rs.14.65 lacs; (previous year: Rs.1.97 lacs)

3. i) Managerial remuneration:

	Year Ended 31st March, 2007 Rs. in lacs	Year Ended 31 st March, 2006 Rs. in lacs
(a) Chairman & Managing Director:		
- Salary	57.00	42.00
- Contribution to provident and other Funds	17.10	13.40
- Monetary value of perquisites (*)	9.14	13.96
	<u>83.24</u>	<u>69.36</u>
(b) Executive Director		
- Salary and allowances	18.90	15.60
- Contribution to provident and other Funds	4.28	3.60
- Monetary value of perquisites (*)	5.01	3.30
	<u>#28.19</u>	<u>22.50</u>

* Excludes provision for leave encashment which is made based on the actuarial valuation done for the company on an overall basis.

Includes Rs. 7.39 lacs being remuneration for the period 01.02.07 to 31.03.07 paid to the Executive Director who is re-appointed with effect from 01.02.07. The re-appointment and the remuneration is subject to approval of the members by way of a special resolution in the forthcoming annual general meeting.

- ii) Directors sitting fees : 1.20 0.74

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4. Contingent liabilities not provided for :
- A. In respect of bills discounted Rs. Nil; (previous year: Rs.635.35 lacs)
- B. *In respect of claims against the company not acknowledged as debt (Sales tax, ESIC) Rs.11.76 lacs; (previous year Rs.13.43 lacs) against which the Company's appeals are pending with the relevant appellate authorities.
- C. *In respect of Income tax for assessment years 1994-95 mainly on account of disallowance of expenditure on reconditioning of machinery – Rs.50.41 lacs; (previous year: Rs.66.90 lacs for assessment years 1994-95,1995-96,1998-99 and 1999-00). In respect of AY 1994-95, the Company's appeal against ITAT order is pending with the High Court.
- D. In respect of guarantee given to Housing Development Finance Corporation Limited for loans availed by employees Rs. 4.01 lacs; (previous year: Rs. 8.74 lacs)

*Future ultimate outflow of resources embodying economic benefits in respect of these matters is uncertain as it depends on financial outcome of judgments/ decisions on the matters involved.

5. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) Rs. 219.64 lacs (previous year: Rs 166.37 lacs) [including for intangible assets Rs.17.95 lacs (previous year Rs.38.50 lacs)]
6. Quantitative information for each class of goods manufactured/ traded and for furnaces built and sold:

	Units	Year Ended	
		31 st March, 2007	Year Ended 31 st March, 2006
	Installed	Installed	Installed
(i) <u>Manufactured Goods @</u>			
Capacities:			
Automotive gears	Tonnes	10594	10594
Industrial furnaces	Nos.	20	20
Gear box	Nos.	2500	2500
Production:			
Automotive gears	Nos.	3073821	2432508
Furnaces built	Nos.	2	4
Gear boxes	Nos.	Nil	Nil
	Units	(Rs. lacs)	Units
	(Nos.)		(Nos.)
- Opening stock:			
Automotive gears	70313	349.75	122284
Gear boxes	-	Nil	-
		349.75	435.73
- Sales			
Automotive gears #	3026611	18537.14	2484479
Industrial furnaces (\$)	2	192.54	4
Gear boxes	-	Nil	-
Tooling Development		162.61	248.28
Others		409.80	186.66
		19302.09	16095.04
- Closing stock			
Automotive gears	*111682	513.27	70313
Gear boxes	-	Nil	-
		513.27	349.75

Includes processing charges Rs. 2742.80 lacs; 499669 nos. (previous year: Rs. 2382.03 lacs; 443460 nos.)

\$ Quantity represents furnaces built during the year. Revenue from contracts is recognized as stated in note 1 (vi) above.



* Excludes 5841 nos. scrapped during the year.

@ As per notification no. 477(E) dated July 25, 1991 issued by the Ministry of Industry, the Company's industrial undertakings are exempt from the licencing provisions of the Industries (Development and Regulation) Act, 1951. Accordingly, the requirement concerning disclosure of licensed capacity is not applicable.

	Year Ended 31 st March, 2007		Year Ended 31 st March, 2006	
	Unit (Nos.)	Rs. lacs	Unit (Nos.)	Rs. lacs
(ii) <u>Traded goods:</u>				
Automotive gears:				
Opening stock	3334	13.45	858	4.91
Purchases	78329	383.17	42314	216.37
Sales	65929	395.93	39838	254.20
Closing stock	15734	74.34	3334	13.45

	Unit	Qty.	Value (Rs.in lacs)	Qty	Value (Rs.in lacs)
	Nos.	3508234	6999.36	2730639	5990.90
(iii) <u>Consumption of raw materials and components:</u>					
Forgings					
Others			392.79		318.28
			<u>7392.15</u>		<u>6309.18</u>

- a) As the raw materials used in the manufacture of automotive gears either purchased by the company or supplied by the customers are identical and as the opening and closing stocks of finished goods and production cannot be accordingly identified, the respective quantitative details of consumption of raw materials, opening and closing stocks, production cannot be separately disclosed and have, therefore, been included in the respective figures above.
- b) The quantities of actual production and sales include free replacements and insurance claims and are net of quantities received back at factory for re-work.
- c) The figures of actual production, sales, consumption of forgings, opening and closing stocks of finished goods are given in numbers which include numbers of finished goods/ forgings of different sizes.
- d) The installed capacity is as certified by the management but not verified by the auditors, as this is a technical matter.

7. Value of imported and indigenous materials consumed and the percentage of each to the total consumption thereof:

	Year Ended 31 st March, 2007		Year Ended 31 st March, 2006	
	%	Value (Rs.in lacs)	%	Value (Rs.in lacs)
Imported:				
- Raw materials and components	0.10	7.55	0.07	4.34
- Loose tools, stores & spare parts	11.01	198.34	8.93	128.88
Indigenous:				
- Raw materials and components	99.90	7384.60	99.93	6304.84
- Loose tools, stores & spare parts	88.99	1603.38	91.07	1314.94

8. CIF Value of imports:				
- Raw materials and components		6.68		3.22
- Loose tools, stores & spare parts		181.00		169.83
-Capital goods		181.02		152.85

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	Year Ended 31 st March, 2007		Year Ended 31 st March, 2006	
	%	Value (Rs.in lacs)	%	Value (Rs.in lacs)
9. Expenditure in foreign currency: (Gross) subject to deduction of tax wherever applicable				
- Foreign travel		25.08		25.78
- Commission		5.41		0.34
- Royalty [includes tax deductible at source Rs.Nil (Previous Year Rs.4.08 lacs)]		Nil		16.93
- Interest on foreign currency loans [includes tax deductible at source Rs.Nil ,(Previous Year Rs. 1.23 lacs)]		109.42		91.61
- Settlement of claims against rejected material		4.00		Nil
- Exchange Loss		69.26		37.58
- Management Consultancy Charges [includes tax deductible at source Rs.1.63 lacs (Previous Year Rs.Nil)]		14.51		Nil
- Professional Fees [includes tax deductible at source Rs. 1.32 lacs (Previous Year Rs.Nil)]		7.79		Nil
- Others		0.26		Nil
10. Earnings in foreign exchange:				
- Export of goods on F.O.B. basis		2850.50		1921.81
- Tooling development income		Nil		42.42
- Others (Freight, insurance, exchange gain etc.)		207.24		124.36
11. Miscellaneous expenses include: Auditor's Remuneration (Includes service tax, where applicable)				
i) Audit fees		12.64		11.22
ii) Fees for other services:				
- for company law matters		Nil		0.17
- others		6.73		6.61
iii) Reimbursement of out of pocket expenses		0.42		0.38
The above excludes following remuneration paid to Auditors towards rights issue, included under Miscellaneous expenditure (to the extent not written off or adjusted) referred to in note 16 (b) below.				
Fees for other services:				
- for taxation matters		Nil		0.25
- others		2.36		5.51
12. Income from service rendered Rs. 75.12 lacs; (previous year: Rs.127.19 lacs) is included in sales and processing charges.				
13. The Company is in process of identifying enterprises covered under the Micro, Small and Medium Enterprises Development Act, 2006 (the Act). Based on the details regarding the status of the suppliers to the extent obtained, no supplier is covered under the Act.				
14. The names of the small scale industrial undertakings to whom the company owes a sum which is outstanding for more than 30 days as at the year end are as follows:				
As on		As on		
31st March, 2007		31st March, 2006		
Sr.No. Name of the Party		Sr. No Name of the Party		
1 Accurate Engineering Co. Pvt. Limited		1 Accurate Engineering Co. Pvt. Limited		
2 B. H. Enterprises		2 B. H. Enterprises		
3 CNC Engineers		3 CNC Engineers		
4 Corrogard Chemicals		4 Coro Chem		
5 Dag Processes Instruments		5 Corrogard Chemicals		
6 Delite Plastics		6 Delite Plastics		



7	Dipti Corrugating Industries	7	Dipti Corrugating Industries
8	Enopeck Seals (India)	8	Del Gears Ltd
9	Engineering Hindustan	9	Enopeck Seals (India)
10	Four Star Industries	10	Four Star Industries
11	Jai Durga Industries	11	Leonine Engineers Pvt Ltd
12	Leonine Engineers Pvt Ltd	12	Lubstar Petrochem Industries
13	Lubstar Petrochem Industries	13	Naya Plast & Metal Works
14	Macwell Engineering Company	14	Nirupam Engineers Pvt Ltd.
15	Naya Plast & Metal Works	15	Pranam Packing Industries
16	Patankar Winding Works	16	PCP Chemicals Pvt Ltd
17	Protochem Industries Pvt Ltd	17	Pack O Pack
18	Precomp Tools Ltd.	18	Protochem Industries Pvt Ltd
19	PCP Chemicals Pvt Ltd	19	Precihole Machine Tools Pvt Ltd
20	Pranam Packing Industries	20	Sushil Traders
21	Precihole Machine Tools Pvt Ltd	21	Tashi Technology Pvt Ltd
22	Pack O Pack	22	Unity Engineering
23	Raskin Oxygen Probe Systems	23	Vee Gee Electronics
24	Royal Fiber Containers Industries	24	Worth Engineering
25	Spline Gauges & Tools		
26	Shailake Nocarb Pvt.Ltd.		
27	Swastik Industries		
28	Sudarshan Gears		
29	Sushil Traders		
30	Size Control Gauges & Tools (p) Ltd.		
31	Sri Charka Bearing Products P.Ltd.		
32	Tashi Technology Pvt.ltd.		
33	The Jaws Mfg.Co.		
34	Unity Engineering		
35	Vee Gee Electronics P.Ltd.		
36	Worth Engineering		

The above information and that disclosed in Schedule-11 'Current Liabilities' regarding small scale industrial undertakings has been compiled by the Company on the basis of details regarding the status of the party available with the Company. This has been relied upon by the auditors.

15. Security deposits in Schedule 10 – 'Loans and advances' include Rs.5 lacs; (previous year: Rs. 5 lacs) due from a private limited company, in which a director of the company is a director.
16. Miscellaneous expenditure to the extent not written off of Rs. 115.98 lacs (previous year: Rs. 160.97 lacs) shown in the balance sheet is arrived as under:

	Year Ended 31st March, 2007 Rs. in lacs	Year Ended 31 st March, 2006 Rs. in lacs
(a) Balance brought forward	150.72	167.02
Payments made to employees under the Voluntary Retirement Scheme	Nil	96.36
Less: Amortised during the year(Included in Salaries, wages and bonus under Schedule - 15)	57.40	112.66
Balance at the end of the year	93.32	150.72
(b) Balance brought forward	10.25	Nil
Add : Share issue expenses incurred during the year	18.07	10.25
Less : Amortised during the year(Included in Miscellaneous expenses under Schedule - 16)	5.66	Nil
Balance at the end of the year	22.66	10.25
Total	115.98	160.97

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17. The Company is primarily engaged in the Automotive Gears business. As such there is no other separate reportable segment as defined by Accounting Standard – 17 “Segment Reporting” issued by the Institute of Chartered Accountants of India.

18. Related Party Disclosures

(i) Related parties with whom the Company had transactions during the year:

(a) Enterprises over which key management personnel is able to exercise significant influence:

Bharat Gears Officers Provident Fund (BGOPF)
 Cliplok Simpak (India) Pvt. Ltd. (CSIPL)
 Raunaq International Ltd. (RIL)
 Vibrant Finance & Investments Pvt. Ltd. (VFIPL)
 Ultra Consultants Pvt. Ltd. (UCPL)
 Future Consultants Pvt. Ltd.(FCPL)

(b) The investing company of which the Company is an associate

ZF Friedrichshafen AG, Germany (ZF)

(c) Key Management Personnel and their relatives:

Mr. Surinder P. Kanwar (SPK) - Chairman and Managing Director (who also has ability to exercise ‘significant influence’ over the company)

Mr. Sameer Kanwar (SK) - Executive Director (son of Chairman and Managing Director of the company)

Mrs. Ritika Puri Kanwar (RPK) - Spouse of Executive Director

(ii) Transactions with the related parties during the year ended 31st March, 2007

Enterprises over which key management personnel is able to exercise significant influence	2006-2007 Rs.in lacs	2005-2006 Rs.in lacs
Rent & other expenses(VFIPL)	10.20	10.20
Rent income (RIL)	1.20	0.60
Rent income (CSIPL)	0.06	0.06
Building repair expenses (RIL)	44.87	28.52
Purchases of packing material (CSIPL)	5.72	6.18
Contribution to Provident Fund (BGOPF)	15.88	10.43
Construction of water tank(RIL)	Nil	1.14
Equity contribution (including premium) in cash		
- VFIPL	11.64	Nil
- UCPL	70.71	Nil
- FCPL	187.63	Nil
Unsecured loan adjusted against rights issue consideration (UCPL)	45.00	Nil
<hr/>		
The investing company of which the Company is an associate	2006-2007 Rs. in lacs	2005-2006 Rs.in lacs
Interest accrued on foreign currency loan	13.82	10.96
Availment of Management Consultancy Service	14.51	Nil
Waiver of unsecured loan	228.68	Nil
Waiver of accrued interest on the above loan	27.40	Nil
<hr/>		
Key Management Personnel and their relatives	2006-2007 Rs.in lacs	2005-2006 Rs.in lacs
Unsecured loan adjusted against the rights issue consideration (SPK)	55.16	Nil
Equity Contribution (including premium) in cash		
- SPK	105.09	Nil
- RPK	2.84	Nil
Remuneration		Refer note 3 (i) of Schedule 19 to the accounts.



(iii) Balances outstanding as at the year end:

	Rs. lacs Amount payable as at 31st March, 2007	Rs. lacs Amount payable as at 31 st March, 2006	Rs. lacs Amount Receivable as at 31st March, 2007	Rs. lacs Amount Receivable as at 31 st March, 2006
Enterprises over which key management personnel is able to exercise significant influence	7.20	48.63	3.00	Nil
The investing company of which the Company is an associate	Nil	242.26	Nil	Nil
Key Management Personnel	6.03	75.34	Nil	Nil

(iv) Except for write back of loan received from ZF and accrued interest thereon, no other amounts have been written back / written off or provided for during the year in respect of amounts payable to or receivable from the related parties.

19. (I) Disclosures as per Accounting Standard – 19 on “Leases”, in respect of formal agreements entered into for assets taken on lease during accounting periods commencing on or after 1st April, 2001:

(A) Finance Lease:

- (i) The net carrying amount as at 31st March, 2007 for assets acquired under finance lease. } Refer Schedule 5- Fixed Assets
- (ii) The maturity profile of finance lease obligations is as follows:

(Rs. in lacs)

	Total minimum lease payments outstanding as at 31st March, 2007	Interest not due	Present value of minimum lease payments
Not later than one year	40.91 (16.25)	12.68 (4.97)	28.23 (11.28)
Later than one year but not later than five years	130.09 (57.26)	20.66 (9.38)	109.43 (47.88)
Total	171.00 (73.51)	33.34 (14.35)	137.66 (59.16)

Figures in brackets are for the previous year.

(iii) General description of these agreements:
Some of these agreements contains renewal clause.

There are no restrictions such as those concerning dividends, additional debt and further leasing imposed by the lease agreements entered into by the company.

(B) Operating Lease:

(i) Lease payments recognised in the Profit and Loss account for the year are as follows:

	Year Ended 31st March, 2007 Rs.in lacs	Year Ended 31 st March, 2006 Rs.in lacs
Residential flats / offices / godowns	19.30	18.38

(ii) Most of the agreements contain renewal clause and provide for escalation of rent of about 5% on renewal.

(II) Disclosure as regards the assets taken on lease on or before 31st March, 2001:

(Rs. in lacs)

Sr. No.	Nature of leased assets	Rental for the year	Future rental obligation
1	Plant & Machinery	Nil (7.68)	Nil (Nil)
2	Vehicles	Nil (3.53)	Nil (Nil)
	Total	Nil (11.21)	Nil (Nil)

Figures in brackets are for the previous year.

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20. Earnings per share as disclosed in the Profit and Loss account is computed based on the following figures:

	Unit	Year Ended 31 st March, 2007	Year Ended 31 st March, 2006
Profit after tax as per Profit and Loss Account	Rs. in lacs	878.53	398.01
Less: Dividend on Cumulative Preference shares (including tax on distributed profits Rs.4.61 lacs; previous year Rs.5.03 lacs)	Rs. in lacs	31.72	40.88
Net profit after tax attributed to equity shareholders	Rs. in lacs	846.81	357.13
Weighted average number of equity shares of Rs.10 each outstanding as at year end.	Nos.	7406594	6374541
Nominal value of share	Rs.	10	10
Earning per share (basic and diluted)	Rs.	11.43	5.60

Note: The Earnings per share for the year ended March 31, 2006 has been restated as per Accounting Standard 20 "Earnings per share" issued by the Institute of Chartered Accountants of India to reflect the effect of the rights issue.

21. Taxes on income:

Components of deferred tax balances:

	Year Ended 31 st March, 2007 (Rs.in lacs)	Year Ended 31 st March, 2006 (Rs.in lacs)
Deferred tax liabilities		
On fiscal allowances on fixed assets	808.31	950.22
On other items	12.30	10.49
	820.61	960.71
Deferred tax assets		
On unabsorbed depreciation	399.95	767.73
On interest funding	106.53	187.18
On provision for gratuity	23.84	Nil
On provision for leave encashment	113.40	Nil
On other items	18.58	5.80
	662.30	960.71

22. Disclosures for long-term contracts (including contracts entered into before 1st April, 2003)

	Year Ended 31 st March, 2007 (Rs.in lacs)	Year Ended 31 st March, 2006 (Rs.in lacs)
Contract revenue recognised during the year	534.67	503.00
Method used to determine contract revenue and the stage of completion of contracts in progress	Refer note 1(vi)	Refer note 1(vi)
Disclosure in respect of contracts in progress as at the year end		
- aggregate amounts of costs incurred and recognized profits	279.24	7.80
- the gross amount due from customers for contract work (included under Sundry Debtors- Schedule 7)	248.46	7.80
- the gross amount due to customer for contract work	Nil	Nil
- the amount of advance received	176.43	30.00
- retention (included under Sundry Debtors – Schedule 7)	Nil	Nil



23. Disclosures in pursuance of the Accounting Standard 29 “ Provisions, Contingent Liabilities and Contingent Assets” issued by the Institute of Chartered Accountants of India.

Provision for warranties	2006 – 2007 Rs.in lacs	2005 – 2006 Rs.in lacs
Carrying amount at the beginning of the year	6.42	2.73
Additional provision made during the year	7.14	6.42
Amount used during the current year	(7.74)	(2.12)
Unused amount reversed during the year	Nil	(0.61)
Carrying amount at the end of the year	5.82	6.42

Provision for warranty is made for the estimated amount of expenditure, which may be incurred during the warranty period of twelve months after successful commissioning of the furnace.

24. Arrears of dividend on cumulative preference shares - Rs.172.78 lacs (previous year: Rs. 145.67 lacs).

In addition to above, in respect of certain subscription agreements for preference shares, in the event of withdrawal of benefit available for exemption of tax on dividend income under section 10 (34) of the Income Tax Act, 1961, the company has to pay dividend at a rate 7.00% higher than the coupon rate from the date of withdrawal till the date of redemption. Further, in case of default on payment of dividend, 2% per annum over and above the normal coupon rate payable from the date of default till the date of actual payment.

25. (a) Excise duty paid and collected from customers is shown separately and deducted from the Gross Sales including processing charges in the Profit and Loss Account.
- (b) Excise duty appearing under Other expenses (Schedule 16) represents (i) the difference between the excise duty included in the closing stock and that in the opening stock of manufactured finished goods Rs.7.22 lacs debit {Previous Year :Rs. 19.80 lacs (credit)} and (ii) the excise duty on free supplies under sales promotion schemes, free replacement, shortages, etc.Rs.32.44 lacs (Previous Year : Rs.17.33 lacs)
26. The Company has not taken any derivative instrument during the year and there is no derivative instrument outstanding as at year-end. The foreign currency exposures that are not hedged by a derivative instrument or otherwise are as follows:

Particulars	Amount in Foreign currency	Equivalent Amount in Indian currency (Rs. in lacs)
Payables	CHF	915.00
		(1366.50)
	GBP	7458.54
		(5574.00)
	USD	2336.00
	(54773.85)	
	EURO	75800.00
		(277880.00)
Receivables	USD	2218309.39
		(1037328.33)
	EURO	416809.00
		(396237.50)
	CHF	15790.13
		(10420.00)
	JPY	Nil
	(138000.00)	
	SGD	Nil
		(2117.50)

Note: Figures in brackets represents previous year's figures.

BHARAT GEARS LIMITED

27. During the year, the Company issued 18,04,115 equity shares of Rs. 10 /- each for cash at a premium of Rs. 30 /- per equity share on rights basis to the existing equity shareholders of the Company in the ratio of 3 equity shares for every 10 equity shares held, aggregating to Rs. 721.65 lacs. In terms of the Letter of Offer, unsecured loans aggregating to Rs. 100.16 lacs received from the promoters have been adjusted against the consideration payable by the promoters towards subscription to the rights issue of shares. The details of utilization of the balance amount of proceeds of rights issue are as under:

Rs. in lacs

Sr.No.	Purpose	Use of funds as proposed	Actual funds used
1.	Redemption of 1,50,000, 10% cumulative redeemable non-convertible preference shares of Rs.100/- each.	150.00	150.00
2.	Payment of long term debts of banks and of Financial Institutions	571.65	471.49
	Total	721.65	621.49

28. During the year having regard to long standing relationship with the Company and as a measure of goodwill and also to provide operational benefits to the company, the financial collaborator ZF Friedrichshafen AG waived the entire amount of the foreign currency loan of Rs. 228.68 lacs along with the interest accrued thereon of Rs. 27.40 lacs, aggregating to Rs.256.08 lacs which is included in Schedule 13 – Other Income.
29. Until the previous year the payments made to employees who left under Voluntary Retirement Scheme / Employment Retirement Scheme were amortised over the period of 5 years from the year in which the liability accrued. From the current year the Company has decided to charge off the payments made under these schemes to the Profit and Loss Account. Consequent to this change in the accounting policy, the profit before tax and profit after tax for the year is lower by Rs.55.45 lacs and Rs.49.23 lacs respectively.
30. Previous years figures have been regrouped wherever necessary.

SURINDER P. KANWAR
Chairman and Managing Director

SAMEER KANWAR
Executive Director -Strategic Planning

RAM S. TARNEJA
W. R. SCHILHA
N.J. KAMATH
V.K. PARGAL
S. G. AWASTHI
RAKESH CHOPRA
Directors

ASHISH PANDEY
Group Head (Legal) &
Company Secretary

MILIND PUJARI
Financial Controller

Place : Mumbai
Date : May 16, 2007

31. STATEMENT AS REQUIRED BY PART IV OF SCHEDULE VI TO COMPANIES ACT,1956.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I . REGISTRATION DETAILS

CIN (Corporate Identity Number) :

L	2	9	1	3	0	H	R	1	9	7	1	P	L	C	0	3	4	3	6	5
---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---

 State Code :

0	5
---	---

Balance Sheet Date :

3	1
---	---

0	3
---	---

2	0	0	7
---	---	---	---

Date Month Year

II . CAPITAL RAISED DURING THE YEAR (Amount in Rs. Thousands)

Public Issue :

			N	I	L				
--	--	--	---	---	---	--	--	--	--

 Rights Issue :

1	8	0	4	1					
---	---	---	---	---	--	--	--	--	--

Bonus Issue :

			N	I	L				
--	--	--	---	---	---	--	--	--	--

 Private Placement :

--	--	--	--	--	--	--	--	--	--

III . POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amounts in Rs. Thousands)

Total Liabilities :

1	1	4	3	5	3	2	*		
---	---	---	---	---	---	---	---	--	--

 Total Assets :

1	1	4	3	5	3	2	*	*	
---	---	---	---	---	---	---	---	---	--

* Excludes Current Liabilities - 569858

** Net of Current Liabilities - 569858

SOURCES OF FUNDS :

Paid - up Capital :

9	9	0	2	8					
---	---	---	---	---	--	--	--	--	--

 Reserves & Surplus :

2	9	4	4	1	4				
---	---	---	---	---	---	--	--	--	--

Secured Loans :

6	6	8	0	2	9	*			
---	---	---	---	---	---	---	--	--	--

 Unsecured Loans :

			N	I	L				
--	--	--	---	---	---	--	--	--	--

* includes Finance Lease - 14048
Deferred tax liability :

8	2	0	6	1					
---	---	---	---	---	--	--	--	--	--

APPLICATION OF FUNDS :

Net Fixed Assets :

6	8	1	8	7	8				
---	---	---	---	---	---	--	--	--	--

 Investments :

			N	I	L				
--	--	--	---	---	---	--	--	--	--

Net Current assets :

3	8	3	8	2	6				
---	---	---	---	---	---	--	--	--	--

 Misc. Expenditure :

1	1	5	9	8					
---	---	---	---	---	--	--	--	--	--

Accumulated Losses :

N	I	L							
---	---	---	--	--	--	--	--	--	--

 Deferred tax assets :

6	6	2	3	0					
---	---	---	---	---	--	--	--	--	--

IV . PERFORMANCE OF THE COMPANY (Amount in Rs. Thousands)

Turnover :

2	3	2	4	3	1	0	*		
---	---	---	---	---	---	---	---	--	--

 Total Expenditure :

2	2	0	7	1	6	0			
---	---	---	---	---	---	---	--	--	--

* Includes other income -

6	9	9	7	3					
---	---	---	---	---	--	--	--	--	--

Profit before tax :

1	1	7	1	5	0				
---	---	---	---	---	---	--	--	--	--

 Profit after tax :

8	7	8	5	3					
---	---	---	---	---	--	--	--	--	--

Earning Per Share (Rs.) :

1	1	.	4	3					
---	---	---	---	---	--	--	--	--	--

 Dividend Rate % : Equity

			N	I	L				
--	--	--	---	---	---	--	--	--	--

Preference

			N	I	L				
--	--	--	---	---	---	--	--	--	--

V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS OF COMPANY :

Item code No.

8	7	0	8	9	9	0	0													
---	---	---	---	---	---	---	---	--	--	--	--	--	--	--	--	--	--	--	--	--

Product Description :

A	U	T	O	M	O	T	I	V	E		G	E	A	R	S					
---	---	---	---	---	---	---	---	---	---	--	---	---	---	---	---	--	--	--	--	--

Item code No.

8	7	0	8	4	0	0	0													
---	---	---	---	---	---	---	---	--	--	--	--	--	--	--	--	--	--	--	--	--

Product Description :

G	E	A	R		B	O	X													
---	---	---	---	--	---	---	---	--	--	--	--	--	--	--	--	--	--	--	--	--

Item code No.

8	4	1	7	1	0	0	0													
---	---	---	---	---	---	---	---	--	--	--	--	--	--	--	--	--	--	--	--	--

Product Description :

I	N	D	U	S	T	R	I	A	L		F	U	R	N	A	C	E			
---	---	---	---	---	---	---	---	---	---	--	---	---	---	---	---	---	---	--	--	--

For and on behalf of the Board :

SURINDER P. KANWAR
Chairman and Managing Director

SAMEER KANWAR
Executive Director -Strategic Planning

RAM S. TARNEJA
W. R. SCHILHA
N.J. KAMATH
V.K. PARGAL
S. G. AWASTHI
RAKESH CHOPRA
Directors

ASHISH PANDEY
Group Head (Legal) &
Company Secretary

MILIND PUJARI
Financial Controller

Place : Mumbai
Date : May 16, 2007



BHARAT GEARS LIMITED

Registered Office : 20 K.M. Mathura Road, P.O. Amar Nagar, Faridabad - 121 003. (Haryana)
35TH ANNUAL GENERAL MEETING
ATTENDANCE SLIP

Please complete this attendance slip and hand it over at the entrance of the Meeting Hall

Name of the Member
(in Block Letters)

Name of Proxy, if any
(in Block Letters)

Regd. Folio No/Demat A/c No. DP ID No.

No. of shares held

I hereby record my presence at the 35th Annual General Meeting of the Company on Thursday 26th July, 2007 at 11.30 A.M. at MUNICIPAL AUDITORIUM, N.I.T. FARIDABAD-121 001. (HARYANA)

Signature of the Proxy..... Signature of the Member.....

- Note :
1. Members/Proxy holders are requested to bring this Attendance Slip duly filed in and signed with them when they come to the meeting and hand it over at the entrance of the Meeting Hall.
NO ATTENDANCE SLIP WILL BE ISSUED AT THE TIME OF MEETING.
 2. No briefcase, bag etc. shall be allowed inside the Meeting Hall.
 3. Please bring your copy of the Annual Report to the meeting
 4. The meeting is of members only and you are requestef not to bring with you any person who is not a member or a Proxy.

NOTE : NO GIFTS / GIFT COUPONS SHALL BE DISTRIBUTED AT THE MEETING



BHARAT GEARS LIMITED

Registered Office : 20 K.M. Mathura Road, P.O. Amar Nagar, Faridabad - 121 003. (Haryana)

PROXY FORM

I/We
of
.....being member(s) of BHARAT GEARS LIMITED

hereby appoint
of
or failing him/her
of

as my/our Proxy to vote for me/us and on my/our behalf at the 35th Annual General Meeting of the Company to be held on Thursday 26th July, 2007 at 11.30 A.M. at MUNICIPAL AUDITORIUM, N.I.T. FARIDABAD-121 001. (HARYANA) and at any adjournment thereof.

AS WITNESS my/our hand(s) this.....day of.....2007.

Signature (s).....

Revenue Stamp

.....

Regd. Folio No. Demat A/c No. DP. ID No.

- Note :
1. The Proxy need not be a member
 2. The Proxy must be returned so as to reach the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid meeting.

NOTE : NO GIFTS / GIFT COUPONS SHALL BE DISTRIBUTED AT THE MEETING

BOOK-POST

if undelivered please return to :
BHARAT GEARS LIMITED
20 K.M. Mathura Road,
P.O. Amar Nagar, Faridabad - 121 003.